NSW Treasury

Comprehensive Indigenous Expenditure Report 2021–22

September 2022



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Acknowledgement of Country

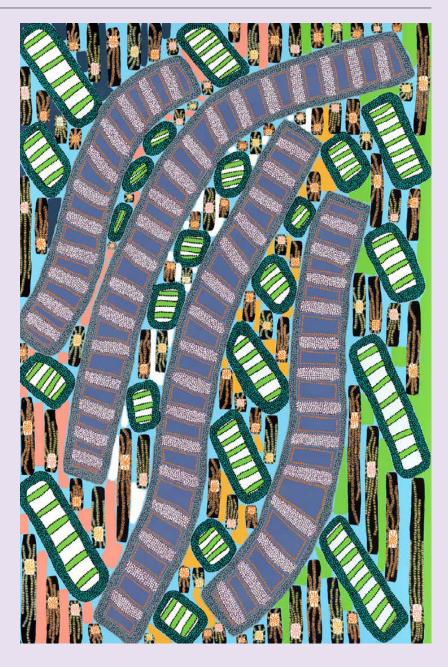
We acknowledge that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.



Artwork: 'Regeneration' by Josie Rose 2020



Regeneration

Josie Rose is a Gumbaynggirr woman who expresses her contemporary Gumbaynggirr cultural heritage through art. For Regeneration her chosen medium is acrylic paint on canvas and the design embodies both creative and cultural expression. The inspiration for her artworks comes from a deep place of spiritual connection to her family, community, culture and respect for Mother Earth. Gumbaynggirr Country is beautiful land with both freshwater and saltwater waterways which inspire her holistic connection to the Ancestors.

Josie Rose Artist

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First Nations readers are advised that this resource may contain images of deceased persons in photographs.

Treasurer's message



It gives me great pleasure to present the Comprehensive Indigenous Expenditure Report 2021-22 (the Report).

As a signatory to the National Agreement on Closing the Gap (National Agreement) the NSW Government is committed to driving greater partnership and shared decision-making with First Nations communities. The Interim Indigenous Expenditure Report (Interim Report), released by NSW Treasury in November 2021, satisfied our commitment under Clause 113 of the National Agreement to report on current spending for First Nations-related programs and services.

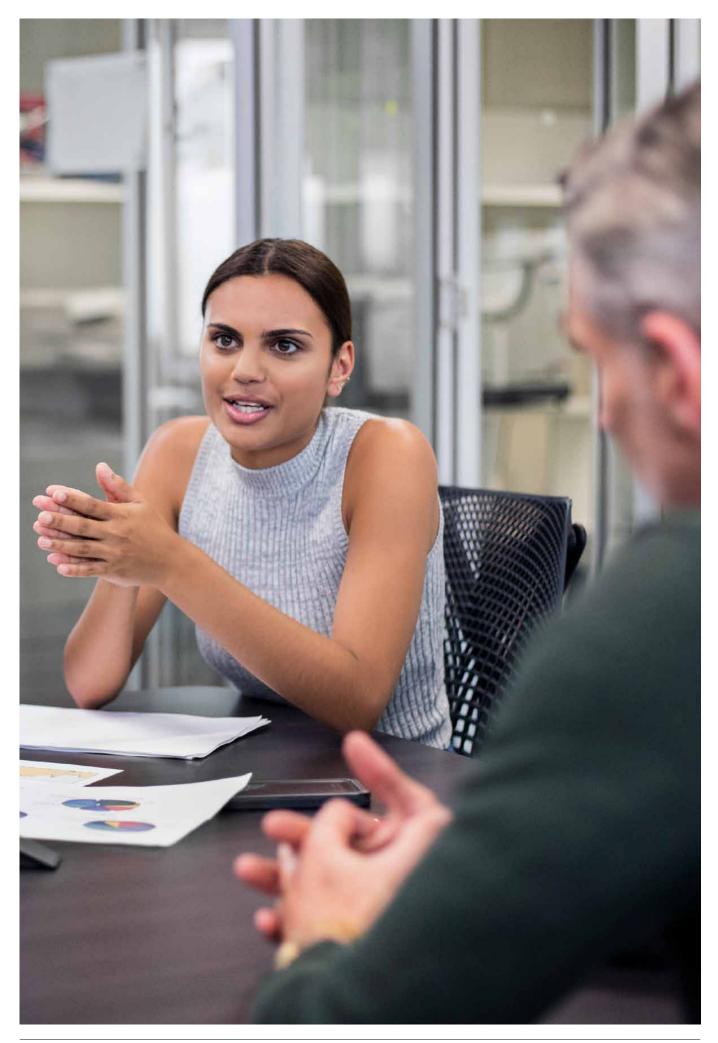
This Report goes beyond that requirement by quantifying nontargeted expenditure for First Nations people in NSW. It is a foundational piece of work. As NSW Treasurer, I am committed to improving the quality of First Nations expenditure reporting. This Report is a pivotal document and one that enables the NSW Government to understand, in considerable detail, certain expenditure trends for First Nations communities in New South Wales. By using this Report, the NSW Government can consider opportunities to better direct government funding, including in areas such as evaluation and building the capacity of the Aboriginal Community-Controlled Sector. This is essential to determining what is effective in improving outcomes for First Nations communities.

The Report paves the way for more work to be done in assessing the impact of expenditure on First Nations outcomes. This may entail further analysis and evaluation, particularly within the key policy areas of child protection, out-of-home care and prisons. I intend to continue working in partnership with First Nations communities, to use this Report to identify future reform and ensure the NSW Government continues to empower First Nations communities and progress the principles of co-development and partnership for future resource allocation.

While the journey to close the gap still has a long way to go, I am proud to be working with First Nations leaders to improve outcomes for First Nations communities in New South Wales.

Matt Kean

NSW Treasurer Minster for Energy

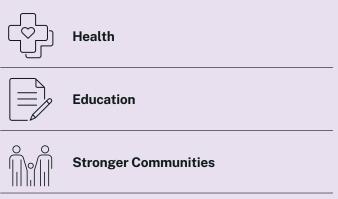


Executive summary

NSW Treasury (Treasury) is responsible for driving a strong, resilient and diverse economy and a sustainable fiscal environment that enables the delivery of outcomes. Key to this is ensuring that the needs of the people, including First Nations communities in New South Wales, are at the centre of investment decisionmaking. The four national and one NSW-specific Priority Reforms of the National Agreement call for shared-decision making with Aboriginal and Torres Strait Islander peoples, empowerment of the Aboriginal Community-Controlled Sector (ACCS), transformation of Government, shared access to data and economic prosperity. Clause 113 of the National Agreement also calls on governments to review and identify current spending on First Nations programs and services.¹

This Report provides increased transparency on the NSW Government's First Nations-related expenditure in the 12 piloted service areas and will support future investigation, evaluation and reform. By quantifying, analysing and publicly reporting whole-of-government expenditure that can be reasonably apportioned to First Nations people, Treasury is able to begin to understand the impact, effectiveness and efficiency of this investment, and better support the wellbeing of First Nations communities in New South Wales.²

In November 2021, the NSW Treasurer and Minister for Aboriginal Affairs publicly released the Interim Report, which analysed and reported on First Nations-specific expenditure in New South Wales. The Comprehensive Indigenous Expenditure Report seeks to go beyond the Interim Report by quantifying and analysing nontargeted expenditure that impacts First Nations people in NSW.³ This method has been piloted with three clusters in 12 service areas:





This Report will enable the NSW Government to:

- better understand the quantum of its expenditure (targeted and non-targeted) that impacts First Nations people across the 12 piloted service areas
- inform assessments of the efficiency and effectiveness of this expenditure
- make more evidence-based resource allocation decisions, in partnership with First Nations communities
- establish a baseline to interpret expenditure trends in relation to Closing the Gap Targets and Priority Reforms, and Treasury's Outcome Budgeting Framework
- use this reported expenditure data and statistical information to track and improve outcomes for First Nations people and provide services where they are geographically needed.

This Report presents the estimated proportionate share of general (or 'non-targeted') expenditure that relates to NSW First Nations people over the past four years, with reference to expenditure data on First Nations-specific (or 'targeted') programs. For the first time in New South Wales, this Report provides analysis of historical year-on-year trends in First Nations expenditure as well as the demographic breakdowns of the data by age and geographic location, as requested through consultations with First Nations Peak Bodies.



Treasury has developed a method to quantify the First Nations share of NSW Government's nontargeted expenditure for the previous four fiscal years (2017–18 to 2020–21). Applying this method, it is estimated that in 2020–21 the NSW Government spent:

\$1.9 billion

on First Nations in the Stronger Communities cluster

Child protection and out-ofhome care (\$806 million) and prisons (\$660 million) were the largest drivers

\$1.5 billion

on First Nations in the Education cluster

Government primary education (\$601 million) was the main driver

\$1.1 billion

Health cluster

General hospital service (\$838 million) was the main driver. While Treasury has a remit predominately focused on fiscal and economics advice, including resource allocation, it is critical to examine publicly funded service areas in the context of wider policy objectives. This Report has been prepared to support the objectives of the National Agreement on Closing the Gap and for government agencies to better evaluate the impact of policies on First Nations communities, and to empower the ACCS while ensuring the best possible outcomes and value-for-money for New South Wales.

Treasury notes that the NSW Government's expenditure profile on First Nations communities is increasing in the piloted areas. As the agency responsible for driving and ensuring sustainable fiscal management of the public sector, and in response to First Nations community feedback, Treasury is seeking to address the need for a holistic understanding of the total amount of First Nations-related expenditure. This is a first step towards more comprehensive evaluation of outcomes to assess the effectiveness of investments. This allows the identification of areas that may warrant further investment, and those that may require reprioritisation, due to socio-economic outcomes not improving.⁴

The three clusters piloted for this Report are estimated to represent approximately 65 per cent of expenditure attributable to First Nations people in New South Wales, according to the 2017 Australian Productivity Commission study.⁵ The expenditure identified from these service areas includes sectors where First Nations people are disproportionately represented – such as the criminal justice and outof-home care systems – and reinforces the need for ongoing work to properly evaluate the effectiveness of current policies and approaches. These service areas also directly correlate to several Priority Reforms and Socio-economic Targets detailed in the National Agreement.

While the Report is presented in three distinct parts, several common issues are threaded throughout the document and its analysis. These include:

• the limitations identified in First Nations data collection and quality, and the need for better coordinated responsibilities around the collection and reporting of First Nations data across the public sector

- the need for detailed, ongoing analysis of expenditure within crisis-related services to inform future policy reform
- the importance of working in a genuine partnership with First Nations people in the co-design and co-development of policies to improve outcomes for their communities.

Part 1 of the Report provides an overview of the purpose and function of First Nations expenditure reporting in New South Wales. It outlines how the NSW Government intends to harness the information collected for this Report to embed culturally informed, evidence-based resource allocation decisions into budget processes. It details the technical aspects of the method that has been developed to quantify the non-targeted expenditure that impacts First Nations people, the various challenges uncovered in the data collection process and the potential benefits of the Report's findings to both the NSW Government and First Nations communities.

Part 2 explores in detail the findings of the applied method to the pilot clusters and the 12 distinct service areas. It outlines the proportion of nontargeted expenditure apportioned to First Nations peoples, disaggregating expenditure data by age and geographic location. Part 2 also outlines newly funded initiatives by the NSW Government that have been developed in partnership with First Nations Peak Bodies to address the Socio-economic Targets and Priority Reforms outlined in the National Agreement.

Part 3 discusses the various initiatives across Treasury that complement and align with this Report and examine the need for a more whole-ofgovernment approach to addressing disadvantages facing First Nations people. The initiatives have been designed to provide the NSW Government with the necessary tools to improve First Nations outcomes and include:

- the NSW First Nations Economic Prosperity Framework
- the NSW Outcome Budgeting Framework
- research into regional 'service mapping' in First Nations communities
- program evaluations based on First Nations cultural protocols; and
- the NSW Aboriginal Procurement Policy.

The First Nations population of New South Wales is estimated at 278,043 people, or 3.4 per cent of the state population (as at August 2022).⁶ Despite recent concerted efforts in reporting on the Targets of the National Agreement, there has not been substantial and consistent improvements in outcome performance, as the latest Closing the Gap Data Report (released July 2022) demonstrates.⁷

While it is not the role of this Report to make recommendations on how to improve government performance against the Socio-economic Targets and Priority Reforms of the National Agreement it is, however, important to note the lack of consistent improvement in outcomes, in view of Treasury's existing Outcome Budgeting framework.

Expenditure estimates provided in this Report establish an evidence base to give policy makers a clearer view of resources allocated to support government services provided to First Nations Australians. This Report should be read in conjunction with Treasury's Aboriginal and Torres Strait Islander Outcome Budgeting Landscape Report 2020–21. However, to know the direct impact of expenditure on the outcomes, a cost benefit evaluation is required, which Treasury is working towards by concurrently developing a First Nations' toolkit for cost benefit analysis (CBA).

In this light, the Report will identify opportunities for the NSW Government to consider its ongoing expenditure allocation against the National Agreement, by:

- 1. **reforming** the way the NSW Government collects, analyses and reports First Nations-related data to ensure timely, quality and thorough reporting
- 2. working in a genuine partnership with the ACCS to identify opportunities to develop innovative and place-based programs to determine an effective means to improve outcomes at the local level
- 3. continuing to implement recommendations identified in existing strategies and reviews in clusters such as, the NSW Aboriginal Mental Health and Wellbeing Strategy (2020–25) and Family is Culture Review that will ensure the effective use of resources; and
- 4. **further analysing expenditure trends** and the allocation of resources within crisis services where First Nations people are overrepresented, with prioritisation given to culturally competent evaluation and data sovereignty principles.

Quantifying First Nations expenditure is not an isolated exercise, but one that is connected to many projects that rely upon evidence to work. The Report's conclusion discusses the next steps that Treasury will take as it seeks to integrate the findings of this Report with the Interim Report. It also discusses the various resources and frameworks currently in progress to better support the evaluation of First Nations programs and hence help identify policies that can drive improvements in outcomes for First Nations communities.



Indigenous expenditure in context



What is this Report?

This Report expands on the Interim Report prepared by Treasury and publicly released by the NSW Treasurer and Minister for Aboriginal Affairs in November 2021. Where the Interim Report explored and analysed expenditure on First Nations-specific programs funded by the NSW Government, this Report extends that analysis to non-targeted general government expenditure for 12 service areas across the State, calculating the apportioned share of such services to First Nations people.⁸

This Report uses a method developed to estimate non-targeted First Nations-related expenditure in 12 of the largest COFOG-A (Classification of the Functions of Government – Australia) expenditure areas for the previous four years (2018–21).⁹ These 12 expenditure areas can be attributed to three clusters within the NSW Government – Health, Education and Stronger Communities. These clusters were piloted for the purpose of this Report due to their relatively higher proportion of programs and services impacting First Peoples in New South Wales.

The Interim Report collected and analysed data on NSW Government program expenditure for 2021–22, identifying \$1.1 billion of First Nationsspecific expenditure in New South Wales. This Report also provides an update to the data collected for the Interim Report, however, it predominately concentrates on the application of a distinct method developed to estimate NSW Government expenditure on First Nations peoples from non-targeted programs and services.¹⁰ Together, the Interim Report and this Report provide a holistic understanding of the estimated level and proportion of NSW Government expenditure for First Nations people and communities within the focus areas.

The data presented in both reports will establish a baseline to support further work, such as examining trends in expenditure over time, variances in the uptake of services by demographic factors and the efficiency of current public resourcing in meeting the needs of First Nations people. Ultimately, the findings of this Report will enable the NSW Government to better determine the effectiveness of its resources in improving First Nations outcomes. It will provide an additional tool to implement evidence-based public policy by holistically examining the NSW Government's First Nations expenditure profile and determining 'what works'.

This Report will better enable the evaluation of opportunities to reprioritise towards the ACCS and details 28 new budget initiatives announced in the 2022–23 Budget, designed to assist the NSW Government in meeting its commitments under the National Agreement. The National Agreement is a ten-year plan signed by the Council of Australian Governments (COAG), local government associations, and Coalitions of Aboriginal Peak Organisations to address five (one NSW-specific) Priority Reform Areas and 17 Socio-economic Targets to reduce the systematic disadvantage experienced by First Nations people in Australia.

New budget initiatives have been co-developed under the Closing the Gap governance structure, established with the joint expertise of the NSW Coalition of Aboriginal Peak Organisations (NSW CAPO), other First Nations organisations and Government clusters. The new initiatives will begin in 2022–23 and represent a new approach to public spending for First Nations programs, with a focus on joint decision-making and partnership with First Nations communities in line with the direction of the National Agreement.

The importance of this approach cannot be overstated; it ensures that First Nations communities have a voice in the policy decisions and the implementation of programs that affect them. The principle of true partnership – and the mutual transparency it fosters – is an important precondition for First Nations' self-determination in the design and delivery of programs and services at local levels.



Purpose and function of this Report

Since November 2008 when COAG approved the National Indigenous Reform Agreement, all State and Federal Australian Governments have been reporting on National Closing the Gap Targets.¹¹ Despite this concerted effort in reporting on the Targets of the National Agreement, the latest Closing the Gap Annual Report (July 2022) indicates the continuing prevalence of social, health and economic disadvantage in First Nations communities.¹² First Nations communities have called for meaningful Government data and reporting that enables them to understand the entire landscape of First Nations expenditure and its outcomes performance.

The National Agreement binds government parties to certain reporting and accountability obligations related to their progress on Priority Reforms and Socio-economic Targets. Under Clause 113 of the 2020 National Agreement, all state, territory and local governments agreed to:

"Review and identify current spending on Aboriginal and Torres Strait Islander programs and services to identify reprioritisation opportunities to Aboriginal and Torres Strait Islander organisations, particularly to community-controlled organisations."¹³ The Interim Report (released 2021) satisfies Clause 113 by assessing First Nations-specific program expenditure in New South Wales and providing a baseline for the identification of opportunities for reprioritisation of funding to ACCOs. This Report aims to go beyond this requirement to consider the total breadth (targeted and non-targeted programs and services) of First Nations expenditure by the NSW Government. Together with the Interim Report, the evidence presented in this Report will constitute a baseline of First Nations expenditure that has historically not been established in New South Wales.

Without such a baseline, the NSW Government has a limited understanding of whether government spending aligns with the more complex health, wellbeing and socio-economic needs of First Nations Australians. With a baseline established, First Nations communities, the government, as well as the public, will have an informed understanding of the total state expenditure for First Nations people, and gain a detailed picture of how this spending is distributed geographically and demographically. Such a level of disaggregated expenditure data in New South Wales is unprecedented. The Report identifies expenditure trends over time, as well as expenditure differences between areas in New South Wales. Finally, the information provided in this Report will assist the NSW Government in identifying potential savings through policy reform or by way of reprioritising funding towards areas of greatest need or efficiency.





How this Report can be used

Central to genuine partnership with First Nations communities is the role that governments play in driving the shared decision-making and co-design principles that underpin the National Agreement, engaging First Nations communities as authentic participants and supporting engagement that is both meaningful and culturally appropriate. It is also the responsibility of the NSW Government to provide transparent reporting on measures to address the entrenched disadvantages faced by First Nations in New South Wales. This Report provides a strong foundation for any such reporting framework.

The Report provides information that would otherwise be isolated or opaque. As the principal fiscal and economic advisor to the government, Treasury will use this Report to inform advice on future resource allocation decisions. Working with NSW cluster agencies, Treasury will use the data contained in this Report to identify expenditure trends, as well as areas where further investigation, evaluation and analysis are needed to determine whether existing initiatives and approaches are providing value-for-money or achieving their intended outcomes. This will in turn inform Treasury advice on new investment. The expenditure evidence, in combination with detailed evaluations of specific programs and outcomes, will support the identification of opportunities to reprioritise and effectively balance investment between the ACCS and Government agencies, consistent with obligations under the National Agreement.

This Report lays the foundation for ongoing First Nations-related expenditure reporting in New South Wales and leads the way among Australian jurisdictions. Treasury plays a central role in advising the Government in the assessment of new funding proposals and hence in efficiently allocating resources. This Report (and the Interim Report) will therefore be a key source of evidence in the provision of such advice. It will also support the ongoing development of a bank of evidence to identify the more effective initiatives that can be expanded and replicated. By increasing the transparency of NSW Government expenditure, this Report can promote the accountability of service providers to effectively deliver intended outcomes.

The process of gathering data from clusters has required the support of our partner NSW Government agencies who have worked with us to address issues in the collection and reporting on First Nationsrelated expenditure. These included limitations around how expenditure data is captured and the extent to which it can be disaggregated for analytical purposes, as well as systems limitations associated with undertaking this complex data collection for the first time. This issue is discussed in Part 2, with reference to areas where complete information was unavailable.



Method

Following the release of the Interim Report, which focused on targeted First Nations expenditure, further work has been done to develop the method for this Report. An extensive literature review determined that the approach would build on previous (and now ceased) Indigenous Expenditure Reports by the Australian Productivity Commission (Productivity Commission). By analysing data at a more detailed level, and breaking down results by variables such as age, geographic location, and the cost by service user -where possible-this Report goes further.

The Report's method has been piloted with three NSW clusters focusing on 12 of the largest COFOG-A expenditure areas, which accounted for around 65 per cent of expenditure attributable to First Nations people in New South Wales according to the 2017 Productivity Commission study. These clusters are Health, Education and Stronger Communities. This pilot tests the robustness of the method before a potential wider roll-out across the whole NSW General Government Sector. As such, Treasury was provided with access to a variety of cluster-held datasets. Clusters were consulted in the early stages of the project (October-December 2021) with an initial workshop involving the three pilot clusters. where details of the project were outlined, and initial feedback on the proposed method was received.

To ensure the perspectives of First Nations peak bodies were represented NSW CAPO and the NSW Coalition of Aboriginal Regional Alliances (NCARA) were also consulted. More detailed consultation with each pilot cluster followed with a focus on the available datasets. Treasury continued to work with clusters as data was received, to clarify any queries and ensure its accuracy against official state expenditure records.

Estimating non-targeted Government expenditure

Treasury developed the method used in this Report to estimate non-targeted NSW Government expenditure through a combined process of research and stakeholder consultation:

- in November 2021, a desktop literature review of comparable methodological frameworks on First Nations expenditure reporting
- consultation with First Nations' Peak Bodies was conducted to better understand what outcomes First Nations communities were seeking from this work
- consultation with NSW Government cluster agencies was undertaken to gain awareness of data capabilities for reporting.

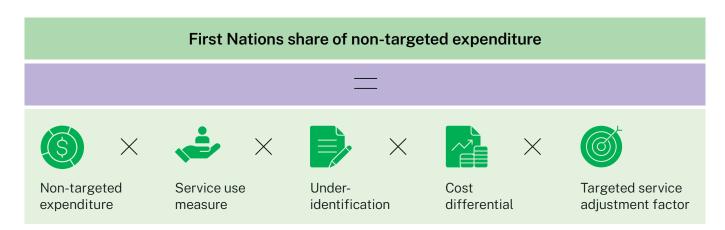
The literature review established that the foundational study for estimating Aboriginal and Torres Strait Islander expenditure was the Productivity Commission's 2017 Indigenous Expenditure Report.¹⁴ This Report undertook a similar approach, whereby expenditure is apportioned between First Nations and non-Indigenous people based on a measure of the amount of services used but enhanced by more granular NSW-specific data sets and analysis.

For the purposes of this Report and to align with the financial reporting of NSW cluster agencies to

Treasury's financial reporting system, "expenditure" refers to expenses from transactions in the General Government Sector. This excludes economic flows labelled as, 'net acquisition of non-financial assets' and 'expenditure relating to public non-financial corporations'. Transactions that are internal to government, that is between agencies were removed to avoid double counting.¹⁵

Figure 1 below presents the Australian Productivity Commission's formula for calculating non-targeted First Nations expenditure on a national basis. The following text explains the terms of the formula.

Figure 1: Australian Government Productivity Commission funding formula



Where:



Non-targeted expenditure is the

expenditure for the whole service area – total expenditure for First Nations and all other people combined.



Service use measure is defined by the Productivity Commission as a measure of the use of services that is closely linked with, or a proxy for, the impact that First Nations Australians have on the total expenditure of providing mainstream services. This captures the service user share that relates to First Nations people.



Under-identification is an upwards adjustment for known under-reporting of First Nations' status.



Targeted service adjustment factor is an adjustment to prevent double counting between targeted and non-targeted services. This factor identifies any targeted expenditure that may already be included in the COFOG-A groups. Since targeted expenditure is accounted as a separate category it was removed from the method's calculation to avoid double counting.

Cost differential is an adjustment for known

differences in the unit cost between First

Nations and other people.

The above formula is applied separately to each segment of government spending. Segments are defined such that a single service use measure can be selected for the whole segment – this may be a whole COFOG-A group in some cases (e.g. Government Primary Education, which use the number of government primary school students as a unit of measure), or part of a COFOG-A group (e.g. Social Housing is split into Public Housing and Community Housing, and different service use measures apply to each).

Table 1: How this Report approaches each component of the formula

Component of Formula	Approach
Expenditure	The primary source for expenditure information is Treasury's financial reporting system. More detailed breakdowns have been required from cluster finance teams in some cases.
Service use measure	A service use measure has been selected for each area of service, drawing input from the Productivity Commission's method and cluster consultations.
Under-reporting of First Nations status	To allow for under-identification that occurs when people who identify as First Nations in the Census but do not to disclose this to the service provider. Methods are consistent with the Productivity Commission's Service Use Manual. Primarily, this adjustment assumes that people with unknown First Nations status have a similar distribution of responses to those with a known First Nations status.
Cost differential	The Report understands differences in unit costs by analysing granular datasets. For example, unit costs differences between regional and metropolitan services, or cost differentials between low and high-risk prison inmates may exist. Therefore, expenditure from prison facilities data was adjusted by variable costs (e.g. qualified per inmate, and then per bed), based on Department of Communities and Justice (DCJ)'s demand-driven funding.
Targeted service adjustment factor	Consistent with the Productivity Commission, the Report collects data on complementary and substitute targeted programs to ensure funding is not double counted.

Box 1 provides an example for how First Nations' expenditure share was estimated in the Child Protection category.



Box 1: Estimating First Nations people's share of spending on child protection services NSW Government financial data shows that \$566 million is spent on child protection services (excluding out-of-home care) in 2020-21.

To estimate the share of these child protections services that relates to First Nations we:

- Select a measure of the amount of services used. For child protection, we have selected:
 - Child protection notifications for expenditure incurred responding to notifications (\$37 million)
 - Child protection investigations for the remainder of expenditure (\$529 million).
- Allow for under-reporting or unknown status. We estimate that:
 - 34 per cent of notifications relate to First Nations children
 - 40 per cent of investigations relate to First Nations children.
- Assume there is no cost differential as available data do not identify a differential in cost per notification or investigation for First Nations children.

Hence, we estimate:

- costs responding to notifications are \$12 million (34 per cent of \$37 million)
- remaining costs are \$211 million (40 per cent of \$529 million).

Note: the 34 and 40 per cent assumptions respectively arise from the notifications and investigations data supplied by FACS.



Expanding and enhancing the Productivity Commission's method

The method developed for this Report aims to expand and enhance the Productivity Commission's method by including:

- further analysis of administrative data to obtain a better understanding of differences in cost per unit of service between First Nations and non-Indigenous people (this will result in a more accurate estimates, for example, understanding if higher administrative costs pertain to managing and onboarding First Nations users)
- breakdowns of expenditure by region, age and other factors that First Nations communities identified as being of interest during consultations
- separate reporting of non-targeted expenditure with a clear service user (e.g. schools, hospitals, prisons), and non-targeted expenditure that benefits all people in New South Wales (e.g. the cost of central government)
- reporting on ACCS expenditure and employment of First Nations people by government.



Identifying types of NSW Government expenditure on First Nations communities

Treasury classified different components of expenditure on First Nations communities to ensure that the method was accurate and informative. This also removed any double counting and identified expenditure with a clear service user. The approach also enabled identification of expenditure with no clear service user.

Table 2: Categories of expenditure



The first category (green) identified is expenditure on targeted services (which was the subject of the 2021 Interim Report). This expenditure is classified as 'Indigenous-specific expenditure' and is defined as expenditure that relates exclusively to, or will predominately benefit, First Nations peoples or communities, and which can be attributed directly to a program, service or initiative.¹⁶ In 2020–21 this represents \$979 million or 17.9 per cent of the NSW Government's expenditure portfolio on First Nations communities. An example of this type of expenditure is expenditure associated with the Aboriginal Housing Office, which aims to ensure that First Nations people have access to affordable, quality housing.

All other expenditure that is not identified as First Nations-specific has been classified as 'non-targeted expenditure'. This is estimated to represent \$4.5 billion, or 82.1 per cent of the NSW Government's expenditure portfolio, on First Nations communities across the 12 piloted service areas. Within this category of expenditure there are two components that have been defined: expenditure with a clear service user (purple), and expenditure without a clear service user (dark grey).

An example of expenditure with a clear service user may be the costs of operating schools, where a student is clearly receiving a service. This type of First Nations-related expenditure is calculated in the method based on First Nations people's use of these services.

This contrasts with expenditure without a clear service user, such as the cost of resourcing the NSW Parliament. With no single individual benefiting from this service or expenditure, the method accounts for this expenditure by applying a population share (i.e. First Nations accounting for 3.4 per cent of the NSW population) to estimate a proportion of use by First Nations peoples.



Identifying areas of Government expenditure for analysis

We piloted the method with three NSW Government clusters: Education, Health and Stronger Communities. For each cluster, expenditure was analysed as defined by the Australian Bureau of Statistics (ABS) Classifications of the Function of Government – Australia (COFOG-A) framework. The COFOG-A framework classifies government expenditure according to the purpose for which the funds are used.

Using the COFOG-A framework to analyse expenditure has many benefits as it is captured in Treasury's financial reporting system. The COFOG-A framework is also used by other Australian governments and broadly aligns with the global classification system, as defined by the United Nations Statistics Division.¹⁷ The COFOG-A framework is likely to remain relatively consistent in future reporting years as it is unlikely to be significantly impacted by future machinery of government changes. The COFOG-A framework is also likely to be used by other Australian jurisdictions for their expenditure reports under the National Agreement, supporting national and state comparisons.

Within the three NSW clusters piloted in this Report, 12 COFOG-A services areas have been selected for specific focus (all COFOG-A definitions can be found in Appendix 1). As noted, based on the Productivity Commission's 2017 Indigenous Expenditure Report these 12 COFOG-A classifications represent approximately 65 per cent of expenditure on First Nations people by service area.¹⁸ These 12 service areas are:



Health cluster:

- general hospital services
- paramedical services
- specialised hospital services
- mental health institutions
- specialised medical services.



Education cluster:

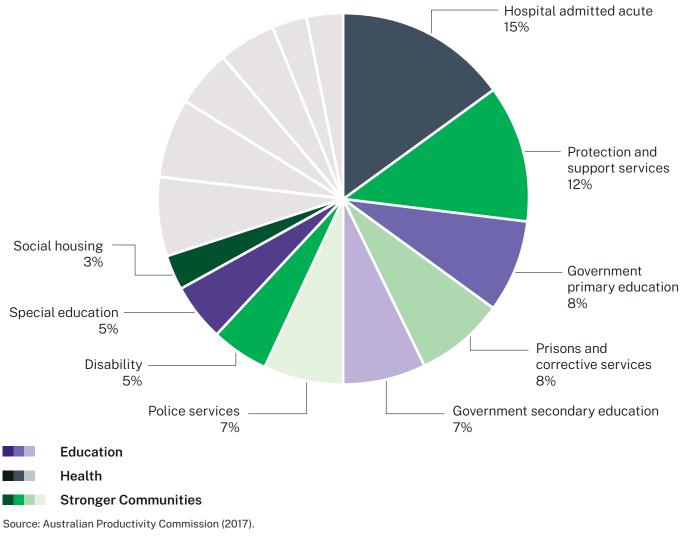
- government primary education
- government secondary education
- special education.

Stro

Stronger Communities cluster:

- child protection and out-of-home care
- prisons
- disability
- social housing.

Figure 2: First Nations expenditure by service area



Note: the grey segments of the pie chart represents the expenditure on service areas outside of the scope of the pilot methodology.

Where required COFOG-A groups have been broken into subgroups to select a measure of service use. For example, the Prison COFOG-A group can be broken into facility-based and community-based, as these two subgroups require different service use measures.

The pilot areas selected will inform the anticipated whole-of-government roll out of the Report's method. The quantum of expenditure associated within these service areas, as well as feedback from community consultation, informed the selection of these services. Negotiating the challenging data management and sharing arrangements for the service areas used in this pilot has been a valuable experience ahead of larger scale data collection across the sector.

Methodological limitations

In preparing this Report, Treasury has performed due diligence by verifying the quality of the data to a reasonable standard – including comparison against other information sources – but has ultimately relied on the accuracy and completeness of data provided by agencies. The data has not, however, been formally audited.

The method involves apportioning expenditure between First Nations and non-First Nations people. This approach was selected as it provides an indication of expenditure for different population groups and is efficient to implement across the whole of government. The approach does, however, have some limitations, including:

- Costs are assumed to be incurred in proportion to the selected service use measure, accounting for the known costs difference between population groups, which may not always be the case in practice.
- Overhead costs are allocated to individuals to reflect the total cost of delivering services (rather than being allocated to interactions in the service system).
- The COFOG-A framework may not fully align with how NSW Government clusters budget and report on finances for their own purposes, leading to some mis-classification.
- The method has only been piloted across 12 service areas, which covers approximately 65 per cent of all non-targeted expenditure attributable to First Nations in New South Wales.

In each of the 12 service areas, the method seeks to allow for the largest known differences in unit cost between First Nations people and users, such as remote service delivery. It also seeks to account for differences in cost between regions where possible, to facilitate more accurate geographic breakdown of expenditure data. These measures improve upon the Productivity Commission's Indigenous expenditure reports and help to mitigate the first limitation noted above. However, it is not possible to account for all differences in unit cost without undertaking detailed costing studies of individual programs or overhauling the collection of information by government.¹⁹

Data limitations

Noting that this was the first time Treasury has tried this method, there are four main areas where improvements to data quality could be made to enhance the quality of estimates:

- 1. Social housing estimates currently use the Report on Government Services (ROGS) rather than NSW cluster accounts because ROGS includes expenditure outside of our pilot clusters.
- 2. DCJ was unable to provide updated estimates of targeted expenditure for 2020–21 in time for inclusion in this Report and as a result, data provided for the Interim Report has been used.
- 3. NSW Police Services were intended to be included in the pilot, as previous studies found this to be one of the largest areas of expenditure relating to First Nations people; agreement on the best method for apportioning costs was, however, unable to be reached.
- 4. Data on targeted and non-targeted programs was not always perfectly comparable. In performing this analysis again, some changes that could be made to address this are:
 - a. Reporting separately on recurrent and capital expenditure for targeted programs. In this Report, it was not possible to remove capital expenditure from estimates for some program areas, and as a result may have removed too much capital expenditure. It is noted that collectively these program areas comprise approximately 2 per cent of First Nations expenditure, thus the risk and severity of errors are low.
 - b. For Health, it would be beneficial to better understand which of their First Nations targeted programs are captured in the patient-level cost estimates provided to Treasury. This will allow more accurate removal of targeted programs and reduce the risk of double counting. For our study, targeted programs comprise about 1 per cent of First Nations expenditure for in-scope Health services. Double counting may, however, become more material in future versions of this reporting as the method is expanded to include areas with larger targeted spending programs such as Community Health.



Estimating the First Nations' proportion of NSW Government expenditure, especially for non-targeted services, is a complex and technical exercise, with unavoidable scope for error. The figures within this Report are calculated estimates based on the applied method, yet the underlying data sets are diverse and numerous, originating from various NSW Government cluster agencies.

Different areas of NSW Government capture and report on data differently, as each cluster has different data and reporting requirements, collects information for different purposes and definitions may differ between reporting agencies. For example, when cross-checking data provided by Family and Community Services Insights Analysis and Research (FACSIAR) on the total number of households in Community Housing, Treasury noted slight discrepancies between FACSIAR's figures, and the same figures published by the Australian Institute of Health and Welfare (AIHW). This is due to Community Housing Providers sending different data to the AIHW and DCJ. This example highlights the complex nature of the method when using multiple data sets, and the unavoidable errors it may include.

The findings of this Report reflect the fact that the expenditure data provided is based on a *piloted* set of clusters and a selection of service areas within a limited number of COFOG-A groups. While this may result in analytical limitations regarding specific policy and service areas, the Report highlights the integral connection between Outcome Budgeting, expenditure reporting, and policy reform, and although this Report aligns service users to expenditure data, there may not always be a one-to-one correspondence between program expenditure and COFOG-A classifications.

Findings of non-targeted First Nations expenditure in NSW

Key points:

- It is estimated that in 2020–21 the NSW Government spent \$5.48 billion on First Nations communities. This includes \$4.5 billion of non-targeted expenditure estimated across the twelve services in this pilot, and \$979 million of targeted First Nations expenditure.
- NSW Government's expenditure portfolio on First Nations communities has been increasing year on year, at a higher average rate of change compared to non-First Nations populations.

Overview of NSW's First Nations expenditure

In 2020–21, it is estimated that the NSW Government spent \$5.48 billion on First Nations communities. This included \$4.5 billion of non-targeted expenditure estimated across the 12 services in this pilot, and \$979 million of targeted First Nations expenditure. This means 82.1 per cent of the NSW Government's expenditure for these 12 service areas is on non-targeted services and the remaining 17.9 per cent on targeted services. It should be noted that this does not represent the entire quantum of non-targeted expenditure as it has only been piloted across 12 services areas.

The \$5.48 billion of expenditure estimated on First Nations communities represents approximately 5.8 per cent of a total \$95.04 billion from the 2020–21 General Government Actual Expenditure from Transactions.²⁰

Treasury has broken expenditure into the two different classifications to enable a comparative understanding of how effective targeted and non-targeted programs and services may be in relation to each other. This can enable further evaluation of the efficiency and effectiveness of existing expenditure, both in targeted and non-targeted categories against measured outcomes. The increasing expenditure noted in this Report, combined with deteriorating outcomes for First Nations people in NSW, at first instance raises questions regarding policy effectiveness. With First Nations communities expressing a strong desire for culturally appropriate services, the ability to analyse and compare similar services and how they are delivered (for example, Government as opposed to ACCS) can help ensure investment is most effectively targeted towards achieving its stated outcomes.

Overview of First Nations demographics in New South Wales

To contextualise the expenditure data, the following demographic information is provided based on ABS Census data (2016, released 2018) and limited ABS Census data (2021, released 2022).²¹

The First Nations population of New South Wales is recorded as 278,043 persons, or 3.4 per cent of the NSW population.²² In 2016, 46.3 per cent of the NSW First Nations population lived in major cities, 34.5 per cent in inner regional areas, 15.5 per cent in outer regional areas, 2.8 per cent in remote, and 0.9 per cent in very remote areas.²³ Migration effects were a net negative at 1,686 persons; between 2011 and 2016, an estimated 9,645 First Nations people left New South Wales and an estimated 7,959 First Nations people moved into New South Wales.²⁴ This loss was offset by an increase in the rate of people identifying as First Nations.

Of the 278,043 people in New South Wales who identified as being First Nations in the 2016 Census, 55,354 had not previously identified as 'Aboriginal' and/or 'Torres Strait Islander' in the 2011 Census. Additionally, 16,052 people who identified as being First Nations in the 2011 Census did not identify in 2016. This results in a net increase of 19.6 per cent.²⁵

The New South Wales First Nations population (June 2016) has a younger age structure than the overall population, with larger proportions of young people and smaller proportions of older people, reflective of both higher fertility rates, higher mortality rates and a large discrepancy in life expectancy. The median age for First Nations people in New South Wales is 22.6 years, compared to the median age of 38.2 years for the general NSW population, a 15.6-year difference.²⁶

Additional features of the Census data are discussed in further detail as they relate to specific information in cluster operations (e.g. incarceration rates, education rates, health outcomes) further below.

Total estimated non-targeted expenditure on First Nations communities

The NSW Government is estimated to have spent \$4.5 billion in 2020–21 on First Nations people and communities across the 12 service areas piloted for this Report. The \$4.5 billion estimated represents approximately 11 per cent of the \$42.3 billion of government expenditure in these services areas.

What is included in our estimates?

12 areas of government.

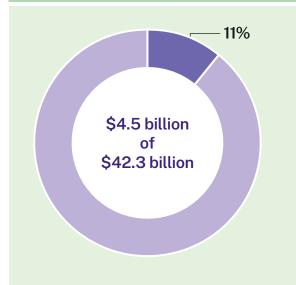
Expenditure that relates to First Nations people for **12 service areas of NSW Government**

Approximately

65 per cent of First Nations expenditure.

These 12 areas cover approximately 65 per cent of First Nations expenditure according to a 2017 Productivity Commission study²⁷

What did we find?



\$4.5 billion

expenditure attributable to First Nations people in 2020–21 across the 12 service areas in the pilot.

11 per cent

of expenditure related to First Nations people in the 12 service areas in 2020–21.

How does this break down across NSW Government?



Overview by cluster

NSW Government expenditure on First Nations communities is significantly increasing year on year. The method applied to the three Pilot clusters estimated NSW Government expenditure on First Nations communities to be \$3.7 billion in 2018–19, \$4.0 billion in 2019–20 and finally \$4.5 billion in 2020–21. Despite this increased allocation of resources apportioned to First Nations service users in New South Wales, this investment has not been consistently effective in addressing social, health and economic disadvantage.²⁸



Education cluster

Expenditure allocated to First Nations students within Education services has increased from an estimated total of \$1.3 billion, in 2018–19, to an estimated \$1.5 billion in 2020–21, an increase of \$0.2 billion, including a significant component of overrepresentation of First Nations students in special education. Although the allocation has increased, this has not resulted in an improvement in educational outcomes, with disparities between First Nations students and non-First Nations students still prevalent (discussed in detail further in Part 2). Considering the critical role education plays in childhood development there is a need to evaluate the effectiveness of this expenditure.



Estimated Health expenditure on First Nations patients has steadily increased from \$0.9 billion in 2018–19 to \$1.1 billion in 2020–21. The areas included for the pilot method account for approximately 67 per cent of the entire Health budget, which revealed a consistent percentage share of expenditure share to First Nations patients of 5 to 6 per cent (except for mental health institutions with a 10 per cent share). While the burden of disease and mortality rate of First Nations Australians are more than double those of non-Indigenous Australians, First Nations people use GP services at a rate that is only slightly higher (1.2) to that of non-Indigenous Australians;²⁹ analysing the geographical nature of expenditure, alongside available statistics such twice the rate of First Nations suicide compared to the general population in NSW³⁰ (discussed in Part 2 below), there are opportunities to further evaluate the effectiveness of this expenditure.

Stronger Communities cluster

With a total of \$1.9 billion in 2020–21 the Stronger Communities cluster spent the most on First Nations service users. This was a \$0.3 billion increase from the \$1.6 billion spent in 2018–19. This represents a disproportionate 21 per cent of the \$8.8 billion total budget in 2020–21. Moreover, \$806 million, or 42 per cent, of child protection and out-of-home care expenditure is directed towards First Nations people, despite them accounting for only 3.4 per cent of the New South Wales population.

A similarly outsized First Nations' share is also evident for prisons expenditure accounting for \$660 million, or 29 per cent, of the total budget. Considering the quantum of expenditure towards such 'crisis services' for First Nations people, there are opportunities for the Government to do more detailed expenditures analysis. Such analysis would enable a better assessment of potential changes in policies or programs that could see these costs mitigated or avoided, or otherwise improve the effectiveness of this expenditure, yielding both better outcomes for communities, and savings for the taxpayer.

Given the clear linkages between expenditure on police with that of downstream justice services expenditure, it will be a focus for future reports to include police expenditure. This would support a better understanding of the impacts of NSW Police work on First Nations communities, as well as expenditure on downstream criminal justice services.



Expenditure by financial year

Estimated expenditure in 2020–2021 is highest for general hospital services (\$838 million), children protection and out-of-home care services (\$806 million), prisons (\$660 million), government primary education (\$601 million) and government secondary education (\$510 million). Expenditure relating to First Nations people has increased over time in all three government clusters piloted for this Report. This reflects increases in both price and volume of services provided. Price increases are broadly reflective of increases in wages and input cost inflation, while increases in volume may be driven by a combination of: expansion of services (either in response to higher demand or through explicit policy change); or increases in identification of First Nations people by government.

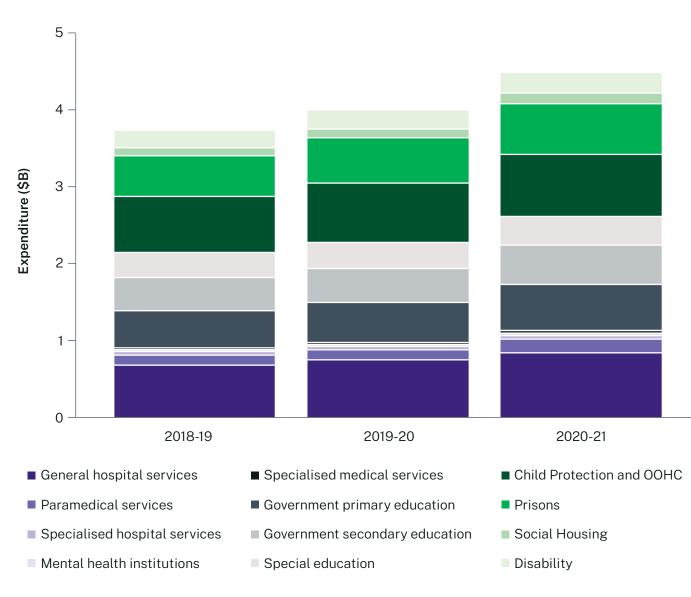


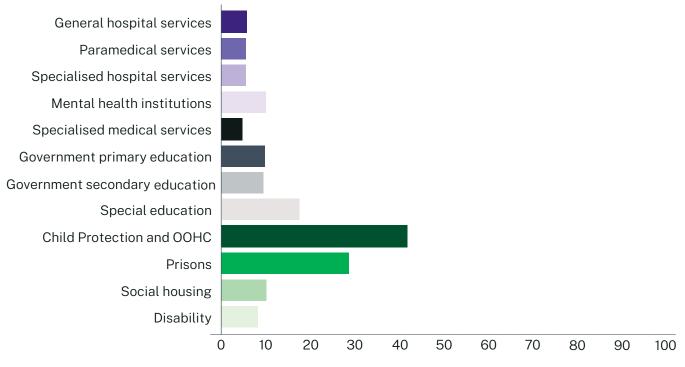
Figure 3: Expenditure attributable to First Nations people

While First Nations people represent 3.4 per cent of the total NSW population, there were some expenditure areas where the First Nations share was significantly overweight, in particular:

- child protection and out-of-home care had the highest percent of expenditure with **42 per cent** attributable to First Nations service use
- prisons also had a high share of expenditure with 29 per cent attributable to First Nations service use
- special education with **17 per cent** of total expenditure attributable to First Nations service use.

The overweighted share of First Nations expenditure attributable to crisis systems points to opportunities for future analysis of outcomes, drawing on the expenditures identified in this report, to improve the efficiency and effectiveness of such expenditure. This could be achieved by identifying policies – such as prevention, early intervention or by community control over service delivery – that would alleviate the need for pressure on these services over time through reduced interaction. The systematic and comprehensive evaluation of what interventions efficiently and effectively achieve their expected outcomes would support the reallocation of funding towards more successful programs, as well as improvements to ongoing service delivery channels.

Figure 4: Share of 2020–21 expenditure attributable to First Nations people by service area



First Nations share of total expenditure of service area (%)

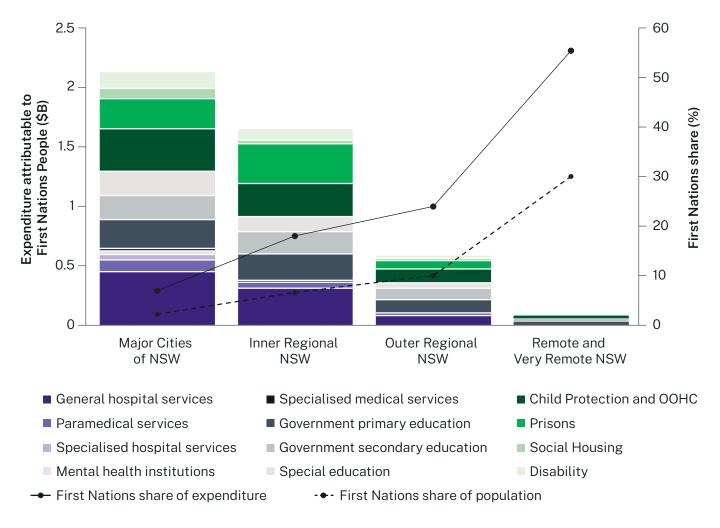
Expenditure by remoteness areas

Location and accessibility are key factors when providing programs and services for First Nations communities. Data collected for this Report enabled expenditure by remoteness to be analysed.³¹ This found:

- Expenditure apportioned to First Nations is geographically allocated as \$2.1 billion or 47.9 per cent in major cities, \$1.6 billion or 37.1 per cent in inner regional areas, \$0.6 billion or 13.1 per cent in outer regional areas and \$0.1 billion or 1.9 per cent in remote and very remote areas.
- Compared to total Government expenditure less First Nations apportion component, the geographical allocation is \$28.3 billion or 75.0 per cent in major cities, \$7.5 billion or 19.9 per cent in inner regional areas, \$1.9 billion or 4.9 per cent in outer regional areas and 0.07 billion or 0.19 per cent in remote and very remote areas.

- First Nations people's share of total expenditure varies from 7 per cent in major cities, to 55 per cent in remote and very remote areas.
- First Nations people's share of total expenditure tracks above population share in each area. For example, in major cities First Nations people have a 7 per cent share of expenditure, and a 2 per cent share of population. Differences in expenditure trends between First Nations and non-First Nations populations are discussed in more detail in Part 2.

Figure 5: Expenditure attributable to First Nations people in 2020–21, by remoteness



Expenditure by age

With the median age of First Nations people being almost 16 years younger than the median mainstream population, and the disproportionate rate of young First Nations people encountering the child protection, out-of-home care and criminal justice systems, disaggregation of data by age was a key innovation of this Report.³²

Summarising expenditure at a high level into four age groups identified that:

• spending is the highest for children, reflecting the cost of education, health and child protection services (note that First Nations population skews younger than the general population)

- health costs generally rise with age
- prison and disability funding are highest for adults and young adults
- First Nations share of expenditure is highest for children and young adults, and then declines with age
- expenditure is higher than the population share across all four age groups.

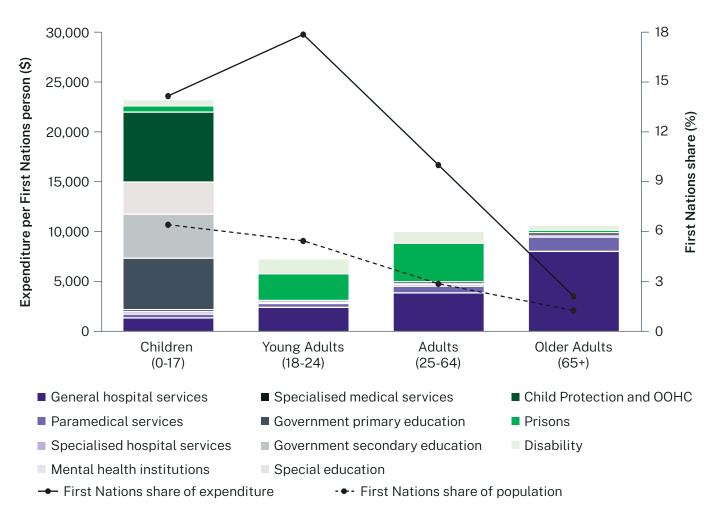


Figure 6: Expenditure per person attributable to First Nations people by age group – 2020–21

Summary

The NSW Government's expenditure portfolio on First Nations communities has been increasing year on year, at a higher average rate than for non-First Nations populations. The data collected for this Report revealed an average annual expenditure increase of 12 per cent (Health), 8 per cent (Education) and 8 per cent (Stronger Communities) over the period analysed.

These increases are driven by an increased demand for these services for First Nations people, for example there has been a 9 per cent increase over four years in First Nations student enrolment for primary education, compared to a 2 per cent decrease for non-First Nations students. This is also similar for prisons expenditure with a 1 per cent increase over four years of First Nations prisoners in facility-based detention, compared to a 6 per cent decrease for non-First Nations prisoners. A component of these increases can also be attributed to the overall increase in base funding by the NSW Government for these services. By comparison, for non-First Nations populations there was an average annual expenditure increase of 6.7 per cent (Health), 5.3 per cent (Education) and 4 per cent (Stronger Communities) over the period analysed, with an average difference of 4 percentage points between First Nations and non-First Nations.

Given the high growth rate in expenditure for First Nations' people, those areas where there has not been a sustained improvement in social, health and economic outcomes, particularly with reference to the outcomes contained in the National Agreement, there are opportunities to better examine the efficiency and effectiveness of these resources. Understanding the various drivers and improving the quality of expenditure is critical to improving both value for money and outcomes over the medium term.



Total estimated targeted expenditure on First Nations communities

To support this Report Treasury went back to agencies for a refresh of the targeted expenditure data that informed the Interim Report. This was necessary, since – consistent with our method – the proper identification of targeted expenditure requires non-targeted expenditure to be subtracted from our totals. This section provides a summary of the targeted expenditure update.

The NSW General Government spent \$1.3 billion³³ on First Nations-specific programs and services in 2021–22. The biggest contributors to this expenditure are the Planning, Industry and Environment cluster (\$385.0 million), Stronger Communities cluster (\$230.7 million) and Education cluster (\$193.9 million).

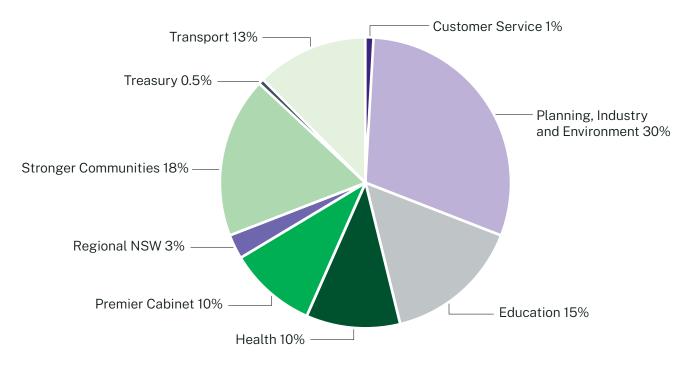


Figure 7: Targeted First Nations expenditure 2021–22

The data revealed an increase of \$213.0 million from the first time Treasury collected targeted First Nations expenditure data for the Interim Report, due to greater identification of existing targeted spend. There are also 28 newly funded Closing the Gap budget initiatives that were co-developed with First Nations Peak Bodies, and a number of new targeted First Nations initiatives which the NSW Government has also funded in the 2022–23 Budget. Although not developed under the Closing the Gap governance framework, these latter initiatives have been developed by NSW cluster agencies with the intention of addressing several targets outlined in the National Agreement as well as broader First Nations outcomes.

In total, the NSW Government has announced an additional \$716 million in new targeted measures for First Nations communities. For example, the NSW Government will provide \$11.2 million in 2022–23, and \$32.0 million across the forward estimates, to the Department of Planning and Environment to deliver Roads to Home–Tranche 3. Roads to Home will provide infrastructure to certain First Nations communities in New South Wales to increase access and drive greater social, economic and health related outcomes. The NSW Government will also invest \$7.7 million in 2022–23, and \$36.2 million across the forward estimates, for an Aboriginal Language Revitalisation program through the Aboriginal Languages Trust. The funding will support First Nations communities to revitalise and pass on their languages throughout New South Wales.

The next three sections contain in-depth discussion of targeted expenditure in Education, Health and Stronger Communities respectively.

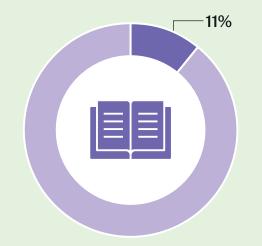
E Pilot cluster 1: Education

This section of the Report presents the current NSW expenditure in the COFOG-A category covering education, inclusive of:

- government primary education
- government secondary education
- special education.

The expenditure share apportioned to First Nations people is calculated and disaggregated by geographic location and age.

The NSW Government is estimated to have spent \$1.5 billion on First Nations students in 2020–21 across the three Education service areas identified. This represents 11 per cent of the \$13.8 billion total expenditure for these areas. Of this \$1.5 billion, \$601 million was spent on government primary education, \$510 million on government secondary education, and \$372 million on special education. It is noted that the NSW Government uses a needs-based funding model for education, which allocates funding according to the needs of students and schools.



\$1.5 billion

expenditure in 2020–21 attributable to First Nations students for the 3 education COFOG-A groups in the pilot.

11 per cent

of 2020–21 mainstream expenditure of \$13.8 billion attributable to First Nations students for the 3 education COFOG-A groups in the pilot.

2020-21 expenditure and share of total expenditure attributable to First Nations students



Note on method

The method for attributing education expenditure between First Nations and all other students is consistent across the three COFOG-A groups above. Treasury has used the way that schools are funded in the School Budget Allocation Report (SBAR), which includes staffing, operational costs, needsbased loadings and initiative funding, to attribute expenditure as follows:

- Allocating each of the SBAR funding components to First Nations and all other students at a school level. This is done for each of the components of SBAR funding (targeted funding, equity loadings and the base school allocation), using the number of students enrolled as the service use measure; and
- Apportioning expenditure in line with the allocated SBAR funding.

Expenditure by financial year

Over the past four years (2017–18 to 2020–21) spending on First Nations people has increased at an average annual rate of 8 per cent a year, compared to an average annual increase of 5.5 per cent for non-First Nations people. In 2017–18 NSW Government expenditure was estimated at \$1.2 billion and in 2020–21 it is estimated at \$1.5 billion. Approximately two-thirds of this increase relates to an overall increase in total for funding for all students and onethird is related to an increasing share of funding for First Nations students. The increased share of funding for First Nations students reflects an increase in the proportion of students enrolled who identify as First Nations people.

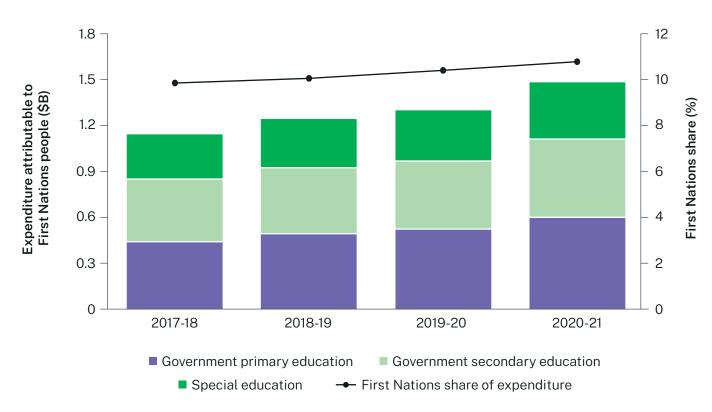


Figure 8: Expenditure attributable to First Nations students

Figure 8 shows the average expenditure per First Nations student enrolled in government primary and secondary education.

Key points:

- Funding per First Nations student has increased from \$12,175 in 2017–18 to \$15,358 in 2020–21 in government primary education.
- In government secondary education, funding per student has been relatively stable, with \$19,915 estimated in 2017–18 to \$20,913 in 2020–21. There was a small decrease of \$340 per student in 2019–20 which reflects a decrease in total expenditure for the government secondary education in that year, with the decrease in average expenditure consistent across First Nations and non-First Nations students.

Year 12 attainment for First Nations students is one of the NSW Government's 'Premier's Priorities', with an aim to increase the proportion of First Nations students attaining their Higher School Certificate (HSC) by 50 per cent by 2023. Since 2013, the proportion of First Nations students in New South Wales who attained the HSC has been much lower than non-First Nations students, highlighting the need to improve this outcome substantially. In 2019, the proportion of First Nations students who attained the HSC was 45 per cent compared, with 71 per cent of the non-First Nations student population.³⁴

NAPLAN 2021 data shows that 56 per cent of First Nations NSW public school students were above the national minimum standard for literacy and numeracy, compared to 79.1 per cent of all students in NSW public schools, a slight increase for First Nations students since 2018's figure of 55.6 per cent.³⁵ Furthermore in 2021, 11 per cent of First Nations NSW public school students achieved NAPLAN results in the top two bands for literacy and numeracy compared to 33 per cent of all NSW public school students. This result for First Nations students represents only a slight improvement of one percentage point since 2018.

Although it is not within the scope of this Report to draw correlations between levels of expenditure and NSW school outcomes for First Nations students, it is important to highlight socio-economic contextual factors that are the subject of policy implementation in relevant cluster agencies.





Government primary education

Government primary education is classified as the provision of state-funded educational programs that provide a sound knowledge of reading, writing and simple mathematics and an elementary knowledge of other subjects for children from ages 5 to 7 until ages 10 to 12. The NSW Government is estimated to have spent \$601 million on government primary education for First Nations students in 2020-21. This represents 10 per cent of the total \$6.2 billion NSW Government spend.

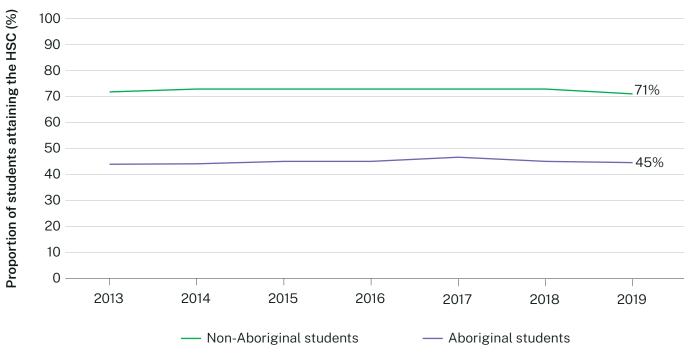
Average expenditure per First Nations primary student is estimated to be \$15,358 in 2020–21, an increase of \$3,183 per student since 2017–18, when expenditure per First Nations student was estimated to be \$12,175. Broken down by remoteness, expenditure per First Nations person aged 5–17 is much higher in remote and very remote communities (25 per cent and 53 per cent respectively) than in major cities (7 per cent), reflecting the higher cost of service delivery outside of metropolitan areas.

Government secondary education

Government secondary education provides educational programs that extend primary schooling programs on a more subject oriented pattern for a period of 4 to 6 years. The NSW Government is estimated to spend \$510 million on Government Secondary Education for First Nations students in 2020–21. This represents 9 per cent of the total \$5.5 billion NSW Government spend. Unlike Government Primary Education expenditure, funding per First Nations student has been relatively stable for Government Secondary Education since 2017–18, with an increase in 2020–21. Expenditure per First Nations student hovered between \$19,111 and \$19,452 between 2017–18 and 2019–20, increasing in 2020–21 to \$20,913. It is unclear why the increase in expenditure per First Nations student has been slower at the secondary level compared to the primary level. Expenditure per enrolled First Nations student in remote and very remote areas of New South Wales is estimated at over twice that of the expenditure in the major cities (discussed below).

Further analysis should attend to proxy measures (such as NAPLAN results and HSC attainment) for determining value-for-money investments in education. For example, secondary NAPLAN results for literacy and numeracy have declined between 2018–21, with the gap between First Nations and non-First Nations students performing at or above the national minimum standard increasing over the four years. In 2021, for example, 69.6 per cent of First Nations Year 9 students were performing at or above the national minimum standard, compared to 91.4 per cent of the non-First Nations student population. This gap is 7.2 per cent higher than it was in 2018, although NAPLAN performance has declined for all students in that time.

Figure 9: Students attaining HSC (NSW) by Aboriginality³⁶



Source: NSW Education Standards Authority and Department of Education administrative data. Note: This data is for all students in NSW.

Special education

Special education consists of the provision of special educational programs provided by special schools (also known as schools for specific purposes, or SSPs), the administration and operation of special schools, and scholarships, grants and other allowances that support students enrolled in special education programs. This classification includes education of children in custody or on remand but excludes special education programs that are integrated into mainstream primary or secondary education.

The NSW Government is estimated to spend \$372 million on special education for First Nations students in 2020–21. This represents 17 per cent of the total \$2.1 billion NSW Government spend on special education. This proportion of expenditure attributable to First Nations students is higher than for primary and secondary education due to the overrepresentation of First Nations students in schools for specific purposes (SSPs), with First Nations students representing 16 per cent of all SSP enrolments in 2021. SSPs support students with intellectual disability, mental health issues or autism, students with physical disability or sensory impairment, and students with learning difficulties or behavioural disorders. There are a range of various SSPs across NSW including hospital schools, tutorial centres and programs and suspension centres, with further work needed to understand the First Nations representation across all categories of SSPs. Enrolment data collected to inform this Report indicates that behavioural disorder, emotional disturbance and juvenile justice establishments accounted for 23.1 per cent of First Nations enrolment in SSPs.³⁷

This larger SSP allocation of expenditure to First Nations students (compared to the primary and secondary education) suggests there is an opportunity for the NSW Government to investigate the various drivers of First Nations overrepresentation in SSPs.

Expenditure by remoteness area

Across the three categories of education expenditure presented in this report, total expenditure relating to First Nations students is highest in metropolitan areas. This is especially true for Special Education Services. The First Nations share of expenditure tracks above the population share across all areas, as seen in Figure 10.

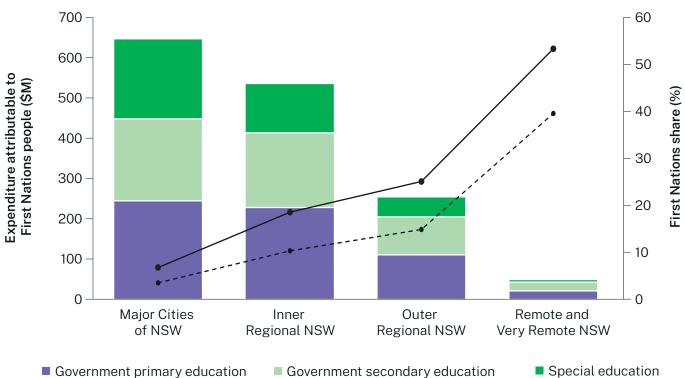


Figure 10: Expenditure attributable to First Nations people, by remoteness area 2020-21

Government primary education
 Government secondary education
 Special education
 Special education
 Special education
 Special education
 Special education

While total expenditure is higher in metropolitan areas, expenditure per First Nations' student is much higher in remote and very remote communities compared to metropolitan areas. This is especially true at the secondary education level. The average expenditure for Government Secondary Education per First Nations person aged 5-17 in major cities of New South Wales is estimated at \$7,104, while in remote and very remote areas this figure is \$14,546.



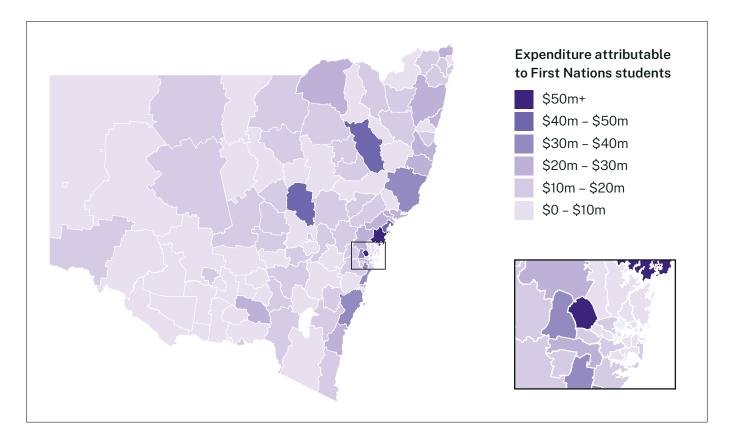
Maps of expenditure by school location

Map 1 shows the geographic distribution of expenditure attributable to First Nations people by school location.

Key points:

- Consistent with other services, funding is highest in local government areas with large First Nations populations, including parts of Western Sydney, the Central Coast, Newcastle, and Dubbo.
- Expenditure is lower in northern parts of Sydney (reflecting a lower First Nations population share) and in many regional and remote areas (reflecting a lower total population).

Map 1: Expenditure attributable to First Nations students in Government primary and secondary education – 2020–21



Summary

Education is responsible for \$1.5 billion of estimated expenditure in 2020–21 attributed to First Nations. This represents 11 per cent of the total \$13.8 billion NSW Government expenditure on education.

Government primary education is the biggest driver of expenditure with an allocation of \$601 million, or 10 per cent of the total \$6.2 billion of expenditure. This is closely followed by Government Secondary Education, with an expenditure allocation of \$510 million, or 9 per cent of the total \$5.5 billion. Special Education rounds out the education service areas with \$372 million, which represents 17 per cent of the total \$2.1 billion of expenditure.

Understanding the impact of geographical location on service delivery is critical to enable the NSW Government's investment in education to be truly effective, especially given that educational milestones for First Nations students are between 19 and 48 percentage points lower than for the Australian population as a whole. Aligning delivery of education services, particularly for First Nations students, with efforts to increase HSC attainment has the potential to provide lifelong benefits, noting that socio-economic disadvantage has a greater impact on educational opportunity than any other factor.³⁸ It is therefore critical for the NSW Government to make use of evidence-based findings to identify measures for effective investment in First Nations secondary education.





Pilot cluster 2: Health

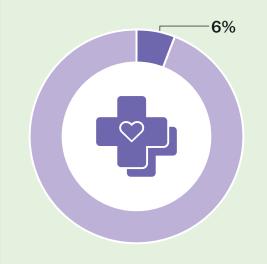
This section of the Report presents the current NSW expenditure on Health, inclusive of:

- general hospital services
- paramedical services
- specialised hospital services
- mental health institutions
- specialised medical services.

The expenditure share apportioned to First Nations people is broken down by geographic location and age.

This analysis enables the NSW Government to improve health outcomes by identifying potential barriers to First Nations access to Health services.

The NSW Government is estimated to have spent \$1.1 billion directly on First Nations patients in 2020–21 across five health services areas included in the pilot. This represents 6 per cent of the \$19.8 billion of expenditure within these five health areas. The five included health service areas account for approximately 67 per cent of the total NSW Health budget.

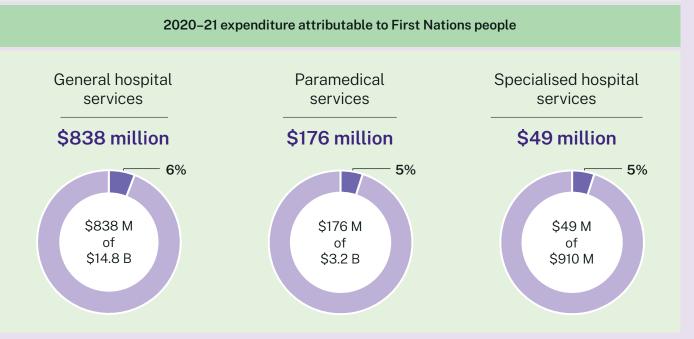


\$1.1 billion

expenditure in 2020–21 attributable to First Nations people for the 5 health service areas in the pilot.

6 per cent

of 2020–21 mainstream expenditure of \$19.8 billion attributable to First Nations people for the 5 health service areas in the pilot.



Mental health institutions



Specialised medical services



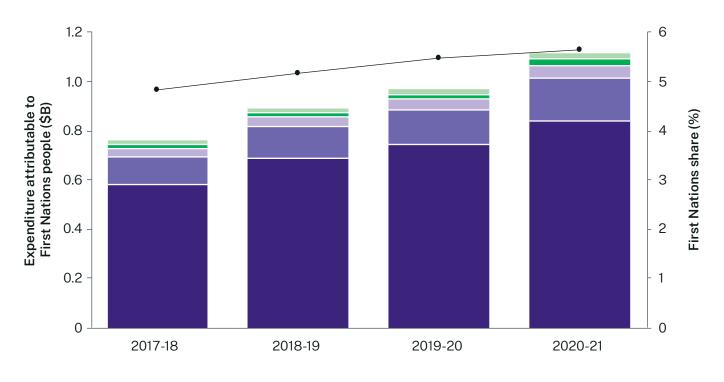
Note on method

To attribute expenditure to First Nations patients, the method used cost data provided by NSW Health (sourced from their District and Network Return). NSW Health recommended the use of this internal cost measure instead of the National Weighted Activity Unit (NWAU) as a more accurate way of allocating expenditure, and one that also reflects the varying relative costs for different health services. Expenditure is allocated for each financial year and health service area according to the share implied by the cost data provided.

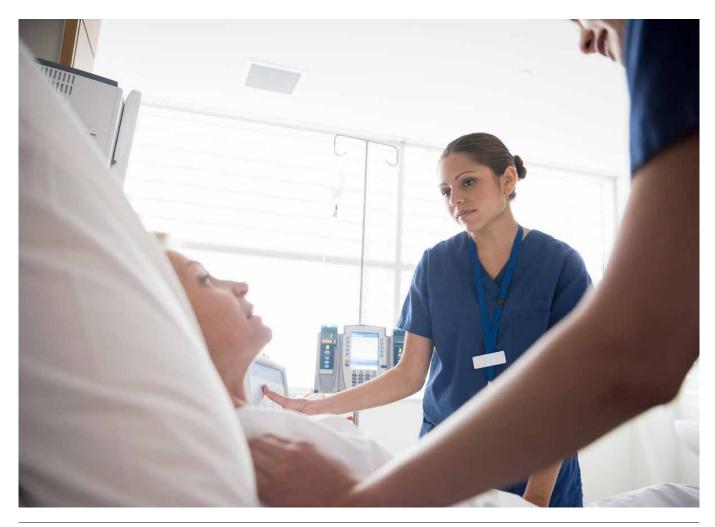
Overview

Over the past four financial years (2017-18 to 2020-21) the estimated health expenditure attributable to First Nations people has increased at an average rate of 12 per cent a year. This partly reflects an increase in total health expenditure for all people across the COFOG groups (an average increase of 7.2 per cent a year across the four years). but cannot be explained by it, given the average rate of increase for all non-First Nations people was only 6.6 per cent over the same period. Data provided by the NSW Ministry of Health showed an increase of allocation to the Aboriginal Community-Controlled Health Sector (ACCHS) of \$10.4 million (\$28.8 million in 2020-2021, to \$39.2 million in 2021-22). Further work is needed to understand the drivers of this increase as it may reflect an increase in service provision, or improved identification of First Nations patients, or some combination of both.

Figure 11: Expenditure attributable to First Nations people



- General hospital services
- Mental health institutions
- Paramedical services
- Specialised hospital services
- Specialised medical services
- --- First Nations people's share of expenditure



General hospital services

General hospital services involves the provision of hospital services and includes designated psychiatric or psycho-geriatric units within hospitals, care of 'nursing-home type patients', free standing clinics and drug and alcohol treatment centres. The NSW Government is estimated to spend \$838 million on First Nations patients for general hospital services in 2020–21. This represents 6 per cent of the \$14.8 billion of the general hospital spend. General hospital services is the largest of the five health service areas included in the pilot study.

Paramedical services

The NSW Government is estimated to spend \$176 million on paramedical services for First Nations people in 2020–21. This represents 5 per cent of the total \$3.2 billion NSW Government spend. Paramedical services are thus the second largest of the five health service areas analysed. Paramedical services include outpatient paramedical services, the provision of health services delivered by nurses, midwives and paramedical personnel in hospitals, non-consulting rooms or patients' homes and medical analysis laboratories and x-ray centres.

Specialised hospital services and specialised medical services

Specialised hospital services covers services provided by specialised hospitals, and specialised medical services covers the services of specialised medical clinics and specialist medical practitioners. Both categories differ from their general counterparts in that their services are limited to treatment of a particular condition, disease or class of patient, for example diseases of the chest, cancer, dental and so forth. The NSW Government will spend an estimated \$49 million on specialised hospital services and \$25 million on Specialised Medical Services for First Nations patients in 2020–21. This represents 5 per cent of the total \$910 million, and \$535 million NSW Government spend respectively on these services.

Mental health institutions

Mental health institutions includes expenditure associated with institutions that exist primarily for the treatment and care of admitted patients with psychiatric, mental, or behavioural disorders such as specialised psychiatric hospitals and psycho-geriatric nursing homes. The NSW Government is estimated to spend \$29 million on mental health institutions for First Nations people in 2020-21. This represents 10 per cent of the total \$292 million NSW Government spend. Compared to the other health service areas presented, this degree of expenditure proportion is high-almost double the percentage of the other service areas. It should be noted that because the provision of mental health services in a hospital setting are allocated to the Hospitals expenditure category, that the expenditure identified within this group does not represent the entirety of the NSW mental health expenditure.



Expenditure by remoteness

First Nations' health expenditure has been disaggregated geographically as depicted in Figure 12, which shows expenditure by service location, and Figure 13, which shows expenditure by residential location.³⁹ Such disaggregation can facilitate greater understanding of the state-wide distribution of health services, the assessment of trends in service usage relative to patient residence, and the potential for local ACCHOs to play a leading role in improving health outcomes for First Nations communities. It is important to reiterate that the COFOG expenditure areas comprise approximately 67 per cent of the total NSW Health budget, and that the five health service areas – for which data has been provided – are concentrated in metropolitan areas. The key findings of this section are:

- Expenditure by service location is highest in metropolitan areas, and very low in remote and very remote areas. This reflects fewer hospitals, paramedical and specialised medical services located in the latter areas.
- Expenditure by **patient residence** follows a similar pattern. However, in this category, spending is *higher* in remote and very remote areas. This reflects the fact that many patients travel to regional or metropolitan areas to access health services.
- Across most geographic areas, First Nations' health service expenditure tracks above their population share, both by service and residential location, except for services in remote and very remote areas, where it tracks below.

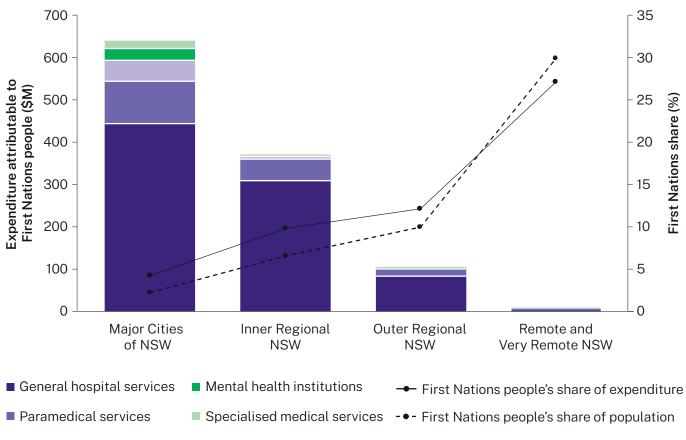
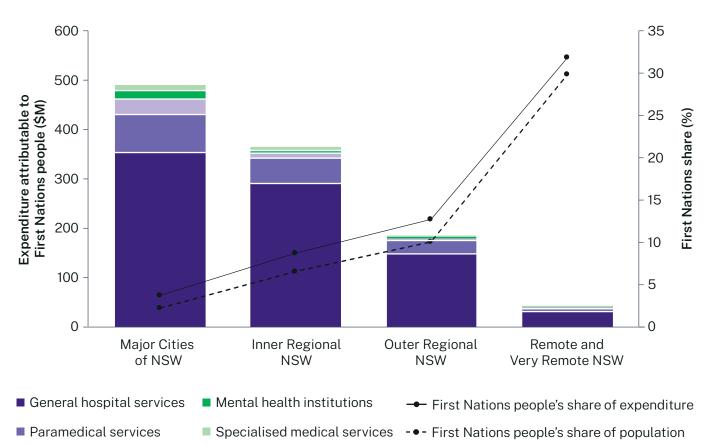


Figure 12: Expenditure attributable to First Nations people, by service location

Specialised hospital services

First Nations people experience barriers to accessible healthcare services such as services not being available in the area (especially for those living in remote and very remote areas), services being too far away, the availability of private and public transport, cost, waiting times, and the availability of culturally safe and responsive health services.⁴⁰ First Nations people are proportionally more likely to live in regional and remote areas, with 54 per cent of First Nations people in New South Wales living outside of metropolitan areas.⁴¹ Many regional and remote patients travel to inner regional or metropolitan areas to access health services, particularly specialist services.⁴² Comparing Figures 12 (above) and Figure 13 (below) indicates a much higher spend for remote areas by residence compared to service locations, suggesting mobility towards areas with more suitable health services depending on the treatment needs.





Specialised hospital services

The data indicates higher aggregate expenditure in remote and very remote locations (examined by patient residence) compared to health expenditure in remote and very remote areas (examined by service location). This suggests First Nations people may be travelling for appropriate access to healthcare. Whether or not this information tells a story of critical health service gaps in remote areas of New South Wales cannot be inferred from the expenditure data alone but is something that should be considered in conjunction with evaluations of existing programs and in consultation with communities. Considering the advanced maturity and capability of the health system operated by NSW Health, there is opportunity for greater partnership between the NSW Government and the ACCHS to improve the capability of the ACCHS, specifically in remote and very remote areas. Areas for exploration and evaluation could include developing service delivery transition plans in partnership with local First Nations health services in alignment with the National Agreement and using NSW Health's expertise and reach to support the ability of the ACCHS to attract and retain skilled employees. The building of the ACCHS could improve health outcomes and also promote economic prosperity through increased skilling and employment.

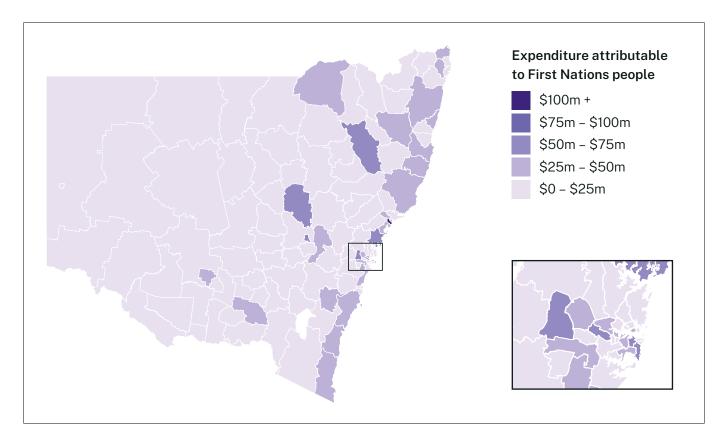
Maps of expenditure by service location

Map 2 shows the geographic distribution of expenditure by service location.

Key points:

- Expenditure relating to First Nations people is highest in Western Sydney, Dubbo, the Central Coast, Newcastle and Tamworth. Service use is higher in areas that have higher First Nations populations.
- Expenditure is lower in Western NSW, as well as in northern parts of Sydney.

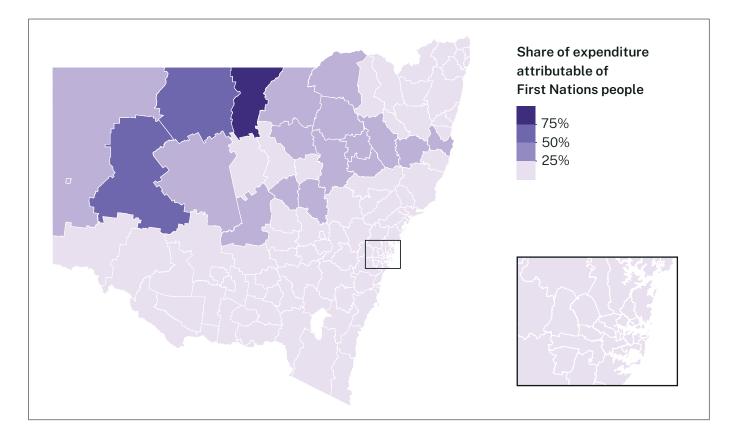
Map 2: Expenditure attributable to First Nations people by service location - 2020-21



Key points:

• First Nations share of expenditure is highest in Western NSW. It is much lower in other areas, including all of Sydney.

Map 3: Share of expenditure attributable to First Nations people by service location – 2020–21 $\,$



Map 4 shows the **share** of expenditure by **patient residential location**.

Share of expenditure attributable of First Nations people





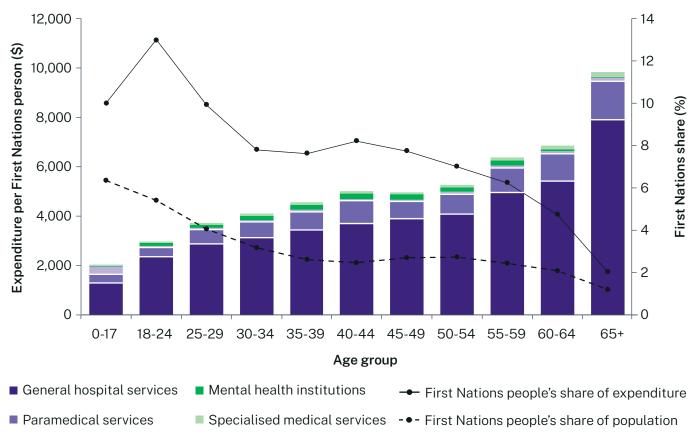
Expenditure by age

Detailed breakdowns of expenditure were available by age for the health sector. This is summarised in Figure 14.

Key points:

- Health expenditure generally increases with age; and
- First Nations people's share of expenditure peaks at 13 per cent for ages 18–24, and then reduces to 2 per cent for ages 65 and older.

Figure 14: Expenditure per First Nations person, by age group - 2020-21

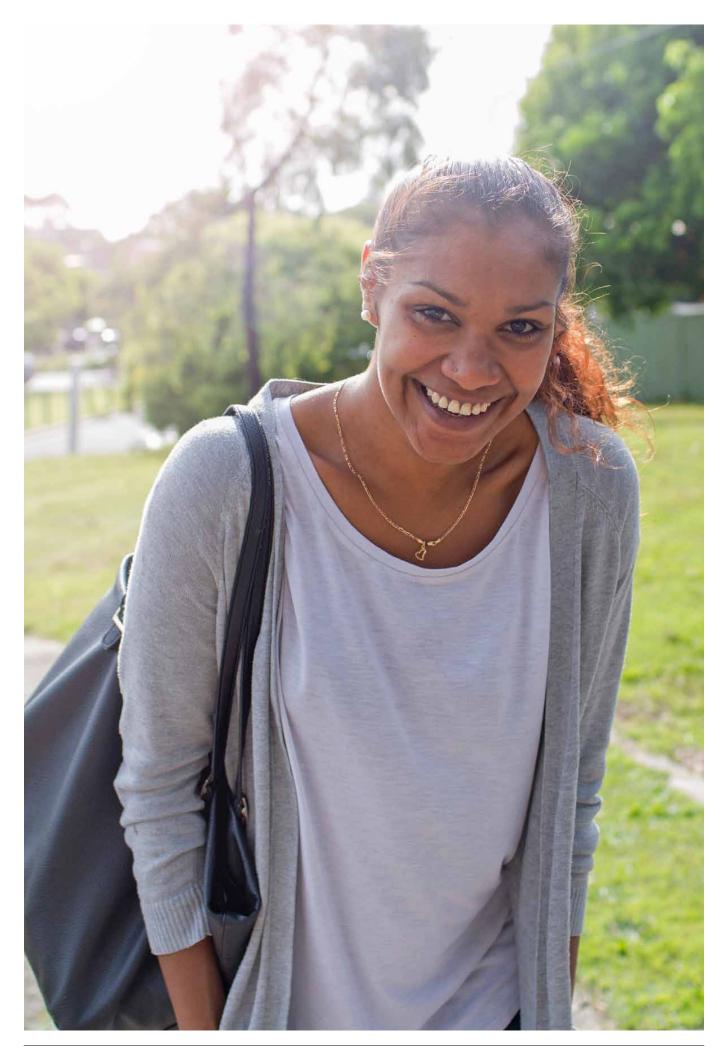


Specialised hospital services

Summary

NSW Government expenditure on First Nations people within the Health cluster is critical to advancing Targets defined in the National Agreement. Health is responsible for an estimated total of \$1.1 billion in 2020–21 on First Nations service users. This represents 6 per cent of a total of \$19.8 billion in NSW Government health expenditure across the selected health service areas.

General hospital services are the biggest driver of health expenditure, with an estimated total of \$838 million in 2020–21, which represents 6 per cent of the \$14.8 billion of overall expenditure. Paramedical services are the next contributor with \$176 million in 2020–21, which represents 5 per cent of a \$3.2 billion total. Specialist hospital services and specialised medical services represent \$49 million and \$25 million respectively in 2020–21, with both representing 5 per cent of the total \$910 million and \$535 million respectively. The highest proportion of expenditure is for mental health institutions, this represents 10 per cent or \$29 million of a total \$292 million.



ຳຳຳ Pilot cluster 3: Stronger Communities

21%

This section of the Report presents the current NSW expenditure on the Stronger Communities mapped against the following COFOG-A categories:

- child protection and out-of-home care
- prison services
- disability; and
- social housing.

The expenditure share apportioned to First Nations people is calculated and disaggregated demographically by geographic location and age. The NSW Government is estimated to spend \$1.9 billion on First Nations communities in 2020–21 across the four COFOG-A groups included in the pilot. This represents 21 per cent of the \$8.8 billion of expenditure within these four groups.

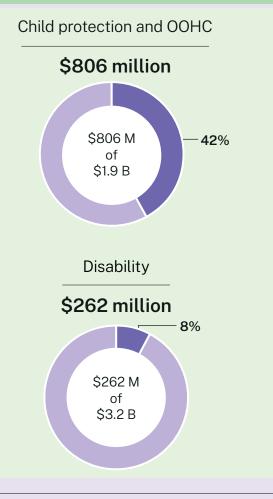
\$1.9 billion

expenditure in 2020–21 attributable to First Nations people for the 4 COFOG-A groups in the pilot.

21 per cent

of 2020–21 mainstream expenditure of \$8.8 billion attributable to First Nations people for the 4 COFOG-A groups in the pilot.

2020–21 expenditure and share of total expenditure attributable to First Nations people



Social Housing⁸⁶



Notes on method

Social housing estimates are indicative, as they draw on the Report on Government Services (RoGS) rather than NSW Treasury and cluster financials. This approach was adopted for the pilot given that our pilot group was restricted to Stronger Communities, but not all social housing services are provided by the Stronger Communities cluster. As with all other estimates in this Report, capital expenditure is excluded. A summary of other features of the method specifically applied to Stronger Communities is presented in Table 3 below:

Table 3: Breakdown on method for Stronger Communities cluster expenditure

Service area	Overview
Child protection and out-of-home care	 Expenditure is apportioned using the service use measures for each sub-area: Child protection - pre-investigation: number of notifications Child protection - investigation and post: number of investigations Out-of-home care: number of nights in OOHC. The same cost per service unit is assumed to apply across NSW within each sub-area above. Due to data quality issues the 2017-18 was not used, and as such this analysis is based on estimates for the three years 2018-19 to 2020-21.
Social housing	Expenditure is based on RoGS rather than COFOG-A classifications, for social housing is apportioned using the number of households for public housing and community housing separately, which also allows for differences in average cost between public and community housing.
Disability	Expenditure is apportioned based on the total dollar value of NDIS cash and in-kind payments, which are based on individualised budgets for each NDIS participant. In 2017–18, the NDIS was only partly implemented and operated in parallel with state government systems, making the data for this year unsuitable. As such, estimates are based on the three years 2018–19 to 2020–21.
Prisons	 The number of people and the number of days spent in detention and correction are used to apportion prisons expenditure, separately for each of the following sub-groups: adult facility adult correction juvenile facility juvenile correction. The 'facility' category includes facility-based detention, while the' correction' category includes community-based detention.

Child protection and out-of-home care

Child protection and Out-of-Home Care covers expenditure on child, youth and family welfare services for the protection of children and includes: substitute care (short term and replacement); protective investigation; supervision and accommodation; statutory guardianship management; and assessment and evaluation of offenders by nonjudicial bodies. The NSW Government is estimated to spend \$806 million on First Nations child protection and out-of-home care services in 2020–21. This represents a significantly disproportionate 42 per cent of the \$1.9 billion of the child protection and out-of-home care spend across New South Wales, when compared with the 3.4 per cent First Nations population share.

Expenditure on child protection and out-of-home care services has increased over the past three years, with the First Nations share of expenditure increasing from 39 per cent to 42 per cent. Most of this expenditure sits within Out-of-Home Care.

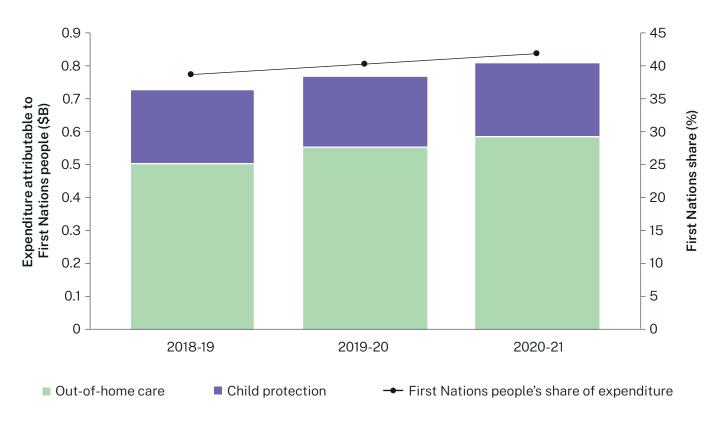


Figure 15: Expenditure attributable to First Nations people (2018–21)

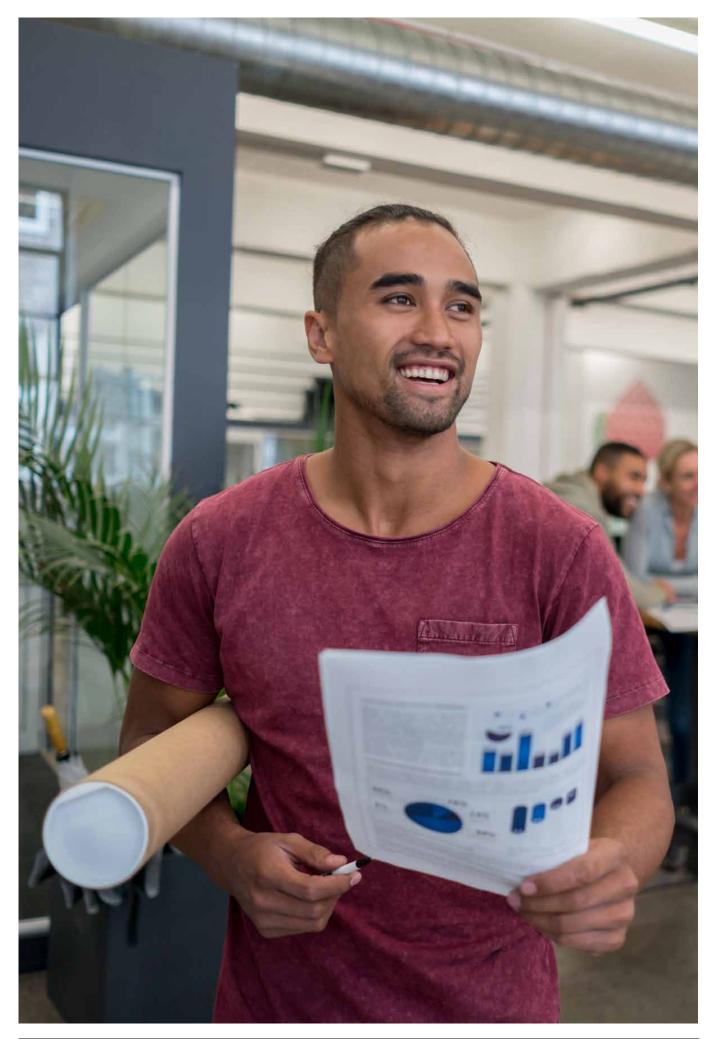
First Nations children are five times more likely to be subject to a child protection notification, and more than ten times more likely to be removed and growing up in out-of-home care or on permanent third-party orders, than non-First Nations children.⁴³ Within New South Wales, between 2004 and 2019, there has been a 217 per cent increase in the number of First Nations children in out-of-home care in New South Wales (7,790 in 2019, compared with 2,459 in 2004).44 In one year alone (2018–19), it was reported that 19.7 per cent of all First Nations children and young people in New South Wales were the subject of a Risk of Significant Harm (ROSH) report. This is close to five times the rate of non-First Nations children and young people subject to a ROSH report, which was only 4.5 per cent.⁴⁵ Furthermore, in New South Wales, about 5 per cent of young people aged 0-19 years are First Nations. However, in 2018–19, these children made up 39 per cent of children in OOHC or supported placements, and 38.8 per cent of all care and protection orders.46

Treasury notes the work of the DCJ towards implementing Recommendation 110 of the Family is Culture Review, which urges the Government's review of funding allocations to match its prioritisation of restoration and family preservation, as "successfully delivered by ACCOs" and that "funding should be commensurate with the over-representation of Aboriginal children in the out-of-home care system."⁴⁷

There is array of factors that lead to the disproportionately high rates of family intervention for First Nations Communities in Australia. Community advocates point to limited access to welfare and support services and to culturally appropriate services in particular.⁴⁸ In 2020–21 \$19.7 million was invested in First Nations-specific preventative child protection and out-of-home care programs and services compared with \$806 million apportioned to First Nations people through non-targeted expenditure in the Child Protection and OOHC area.

Treasury is undertaking work to evaluate the factors that bring successful interventions as well as the extent to which the delivery of more culturally appropriate services supports better outcomes. This work will better informed policy on the right balance of funding between First Nations specific programs and more general ones.





Box 2: Investing in Evidence-Based Initiatives for NSW–Child and Family Advocacy The NSW Government will fund the Child and Family Advocacy Service through the 2022-23 Budget, working in partnership with First Nations communities to meet the targets outlined in the National Agreement.

The Child and Family Advocacy Service is based on Victoria Legal Aid's highly successful Independent Family Advocacy and Support (IFAS) model. IFAS has successfully diverted one fifth (20 per cent) of families it works with away from entering courts – keeping families intact and preventing children from entering out-of-home care while delivering significant cost-savings to government.

The service will be made up of a multi-disciplinary team including nonlegal advocates, specialist civil and child protection lawyers, disability workers, social workers and lived experience advisors. The service will include a state-wide telephone advice, advocacy, referral and support services, in addition to using Western NSW as a pilot region for faceto-face services and building local programs. This will serve as a proof of concept for the expansion of place-based child advocacy services in other high-need regions.

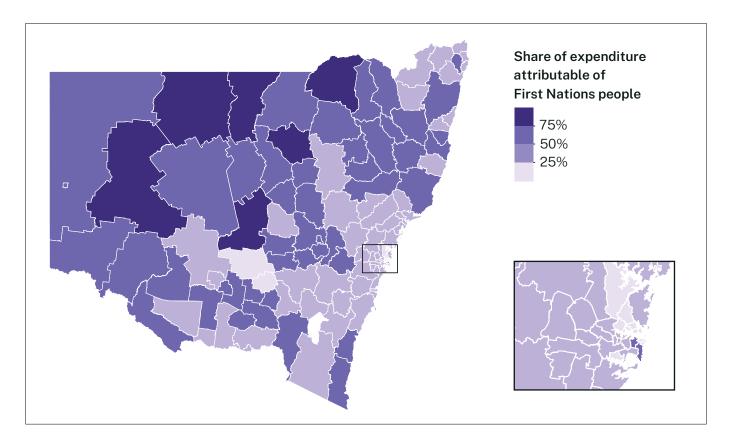
By providing timelier and more immediate advocacy and support to First Nations families where there are child protection concerns, the Child and Facility Advocacy Service will seek to significantly reduce First Nations' over-representation in the child protection system.



Key points:

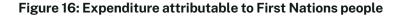
- First Nations share of expenditure is highest in areas of the Far West such as Bourke, Brewarrina, Central Darling and Coonamble.
- The First Nations share of expenditure is **more than 50 per cent** in approximately one third of all LGAs (i.e. 44 out of 129).
- It is lowest in areas of Northern Sydney such as Mosman, North Sydney and Lane Cove.

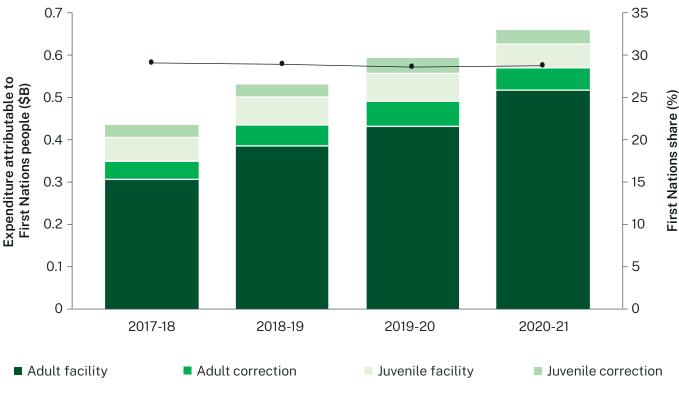
Map 5: Share of child protection and out-of-home care expenditure attributable to First Nations children – 2020–21 $\,$



Prisons

The prisons expenditure category consists of the administration, operation or support of prisons and other places for the detention or rehabilitation of convicted criminals. This expenditure captures the NSW Government expenditure associated with Corrective Services NSW and Youth Justice. The NSW Government is estimated to spend \$660 million on First Nations people within the Prisons COFOG-A group in 2020–21. This also represents a disproportionately high 29 per cent of the \$2.3 billion of NSW Government spend, when compared with the 3.4 per cent population share overall. Expenditure in Prisons has risen from \$434 million in 2017–18, to \$660 million 2020–21, with the bulk of this expenditure on adult facility-based detention. Although there has been a significant increase in the NSW Government's total prison expenditure, the First Nation's share and non-First Nation's share of this expenditure has been relatively stable during the same period.





- First Nations people's share of expenditure

Like the child protection and out-of-home care service areas, First Nations people are overrepresented in the prison system in New South Wales at a rate of close to 30 per cent of the total prison population compared with 3.4 per cent of the overall population.

The NSW Bureau of Crime Statistics and Research (BOCSAR) finds that:

- 46 per cent of Aboriginal adults offend within six months of release from custody (compared to 30 per cent of non-Aboriginal adults) and 63 per cent reoffend within a year of their release from custody;
- 33 per cent of Aboriginal adults received a new custodial sentence within a year of their release from custody; and

• 86 per cent of Aboriginal young offenders have contact with the justice system as adults compared to 75 per cent of non-Aboriginal young offenders.

These statistics indicate higher rates of recidivism than the non-First Nations population and suggest that a review and evaluation of post-prison release support programs available to First Nations offenders should be undertaken. The graph below illustrates how this effect is compounded for teenagers and young adults, who account for the highest share of First Nations-related prisons expenditure, with over 40 per cent of the expenditure for the 12-17 and 18-24 age groups attributed to First Nations people.

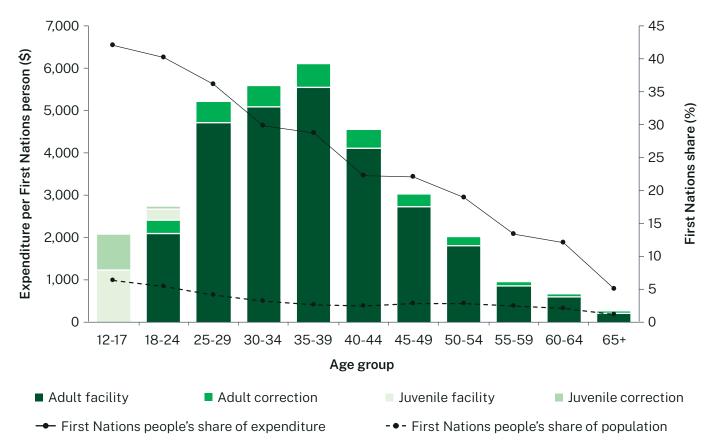


Figure 17: Prisons expenditure by age

First Nations young people are 12 times more likely than the general youth population to be under youth justice supervision; the latest figures by BOCSAR and the Australian Bureau of Statistics (2020) indicate that the First Nations imprisonment rate in New South Wales is *nearly 10 times the imprisonment rate* of the general population.⁴⁹ In juvenile detention, First Nations' young people made 42.9 per cent of the prison population, up from 39.7 per cent in 2020, while in adult prisons, the proportion was 27.5 per cent, up from 26.6 per cent.⁵⁰

It should be noted that NSW Government is continuing its investment in parole supervision which is having an impact on reducing reoffending. A study by BOCSAR found that NSW prisoners who receive parole supervision after their release reoffend less than similar prisoners who are released unconditionally. BOCSAR found that compared equivalent unsupervised prisoners, prisoner released to supervised parole were:

- 10 percentage points less likely to be convicted within a year (a decrease of 17.5 per cent); and
- 5 percentage points less likely to be imprisoned within a year (a decrease of 18.2 per cent).

Parole was particularly effective in reducing serious reoffending among high-risk prisoners and First Nations prisoners.⁵¹

NSW Prisons expenditure on First Nations people has remained stable at 29 per cent over the period of analysis (FY 2017–18 to FY 2020–21), although this percentage share indicates significant overrepresentation for First Nations people, who make up only 3.4 per cent of the NSW population. This points to an opportunity to improve outcomes by reviewing the efficiency and effectiveness of preventative programs, alongside culturally appropriate pre-and post-release support programs. Reform in this area could result in savings on expenditure on Prisons, as well as improve economic and social outcomes for First Nations people more broadly.



NSW Police

Police includes the administration of police affairs and services including maintenance of arrest records and statistics related to police work, road traffic regulation and control. It also includes the operation of regular and auxiliary police forces, operation of port, border, and coast guards and of other special police forces maintained by public authorities, operation of police laboratories and operation or support of police training programs. In New South Wales, this largely incorporates the activities of the NSW Police.

In the 2021–22 Budget the NSW Police had a recurrent budget of \$4.3 billion. This budget allocation makes the NSW Police the fourth largest agency in the General Government Sector. While Police were identified as an area of significant expenditure in the Productivity Commission Report (approximately 7 per cent), Treasury was unable to include the agency's data in the pilot study due to unresolved issues around the best way to attribute expenditure to First Nations people. The magnitude of public resources dedicated the NSW Police and the agency's approach to data collection and reporting requires an expanded method to be developed for reporting. Treasury is actively working with NSW Police towards brining police expenditure into future reporting.

Understanding the allocation of Police expenditure is important. Data released by BOCSAR indicates in the past 10 years the number of First Nations people charged by police in NSW has increased by more than 67 per cent. For non-First Nations Australians the increase has been just 8 per cent.⁵² These increases have been observed against a decline in crime rates over the same period. Recent evidence shows that First Nations people in New South Wales were 2.6 times more likely to be a victim of assault compared with non-First Nations people.⁵³ Examining the allocation of police services, resources and expenditure patterns by geographical location will also assist in setting a baseline to further analyse how police work is distributed in First Nations communities.

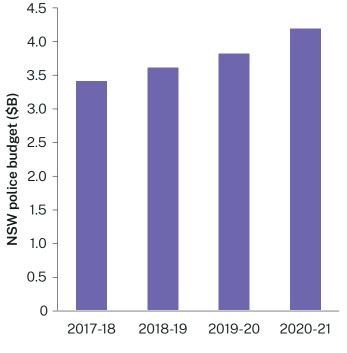


Figure 18: NSW Police Force Annual Budget

Source: NSW Budget Papers

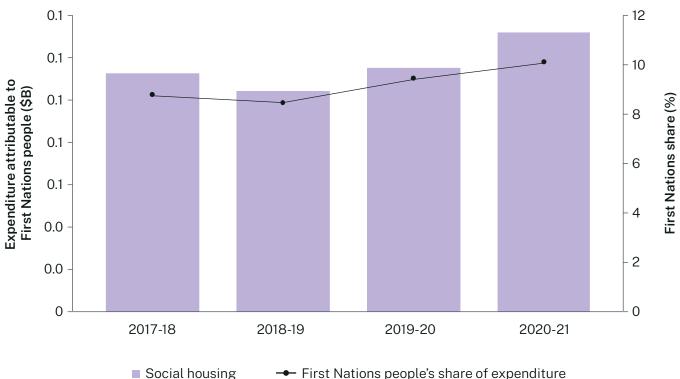


NSW social housing

Social housing consists of outlays on administration, provision, support, operation of housing affairs and services. For this Report social housing expenditure includes public housing, State-Owned and Managed Indigenous Housing (SOMIH) and community housing. The NSW Government is estimated to spend \$131 million on First Nations communities under the Social Housing COFOG-A service group in 2021.54 This represents 10 per cent of the \$1.3 billion of social housing spend. As noted, this Report considers recurrent expenditure only (not capital expenditure) and excludes targeted social housing programs and initiatives.

Expenditure for social housing has generally increased over time, although a decrease was observed between 2017-18 and 2018-19. The NSW Land and Housing Commission and the Aboriginal Housing Office play a significant role in providing access to affordable, quality housing.⁵⁵ In 2020–21 the entire spend, inclusive of capital, of the Aboriginal Housing Office (AHO) was \$199.2 million.



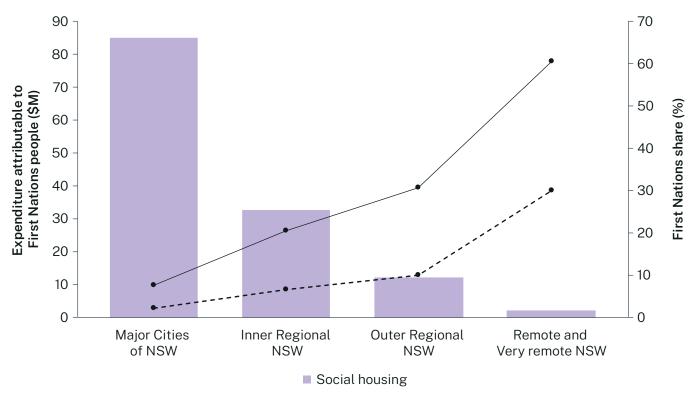


The data collected for this Report analysed expenditure by remoteness area. In dollar terms, expenditure is highest in major cities and lowest in remote, and very remote, areas. This reflects the placement of Social Housing dwellings. First Nations people's share of expenditure is highest in remote,

- First Nations people's share of expenditure

and very remote, areas and expenditure tracks above population share across all geographic regions. This is consistent with the understanding that the proportion of First Nations people living in the remote, and very remote, regions is highest relative to non-First Nations populations.

Figure 20: Expenditure attributable to First Nations people, by remoteness area



--- First Nations people's share of expenditure

--- First Nations people's share of population



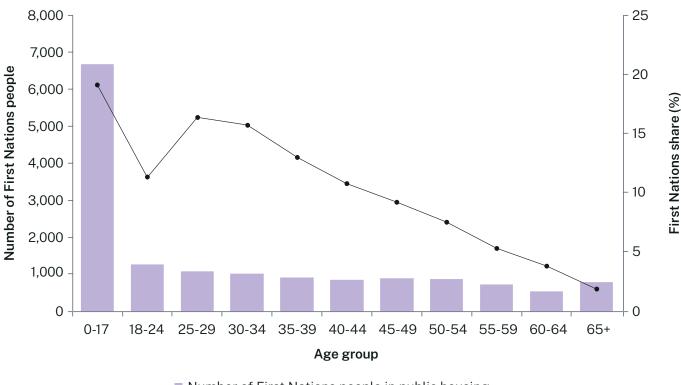
Profile of people living in public housing in New South Wales

Figure 21 shows the age profile of First Nations people living in public housing. Note that community housing is excluded from this chart, as there is limited data available on the age of all individuals in a household (only information on the primary occupant is available).

Key points:

- Overall, First Nations people represent 10 per cent of the public housing population.
- The proportion of people in public housing identifying as First Nations is highest for children (approximately 20 per cent are First Nations people).
- The proportion of people in public housing who identify as First Nations trends downward from ages 25-29 through to age 65+.

Figure 21: Age profile of First Nations people in public housing - 2020-21



Number of First Nations people in public housing

- First Nations people's share of total people in public housing

Disability Services

Disability Services includes the administration and provision of benefits to persons who are fully or partially unable to engage in economic activity or face significant constraints due to a physical or mental impairment that is either permanent or likely to persist beyond a minimum prescribed period. The National Disability Insurance Agency provides funding that is passed through the DCJ to Non-Government Organisations. The NSW Government is estimated to spend \$262 million on First Nations communities under the Disability COFOG-A service group in 2020–21. This represents 8 per cent of the \$3.2 billion of the NSW disability spend. In New South Wales, expenditure on Disability is primarily in the form of contributions to the National Disability Insurance Scheme (NDIS). Contributions can be made on a cash basis, where funds are transferred to the agency that administers the NDIS, or on an in-kind basis, where services are provided by Non-Government Organisations on behalf of the NSW Government to NDIS participants and are recognised as a contribution to the NDIS. Funding for disability has increased over time, as has the proportion of funding that relates to First Nations people.

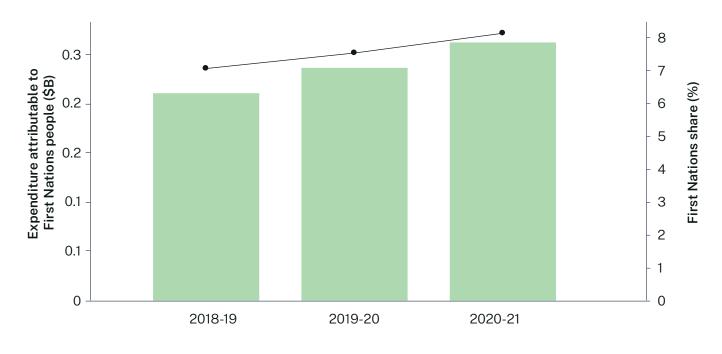


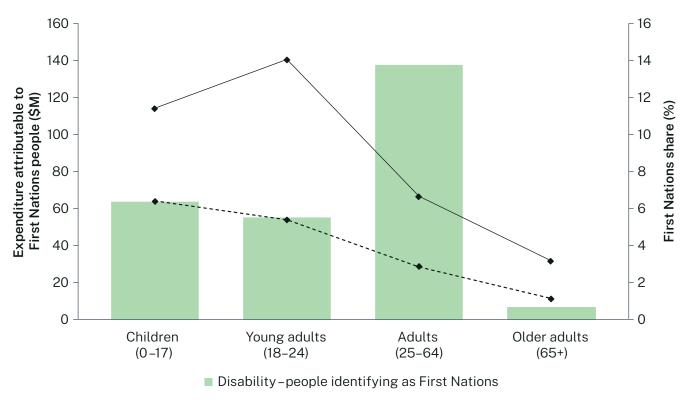
Figure 22: Expenditure attributable to First Nations people

Disability-people identifying as First Nations

Data collected on an age basis indicates that the highest proportion of expenditure attributable to First Nations people is for the 18-24 age group, with a 14 per cent share of expenditure. Expenditure is low - First Nations people's share of expenditure

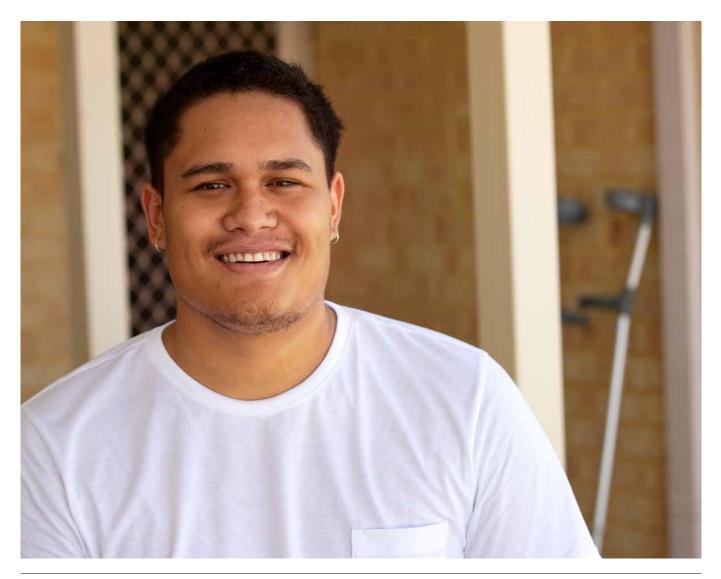
for ages 65 and older. This reflects age requirements of the NDIS, notably that people must seek access to the scheme prior to turning 65 years.

Figure 23: Expenditure attributable to First Nations people, by age group



- First Nations people's share of expenditure

-•- First Nations people's share of population



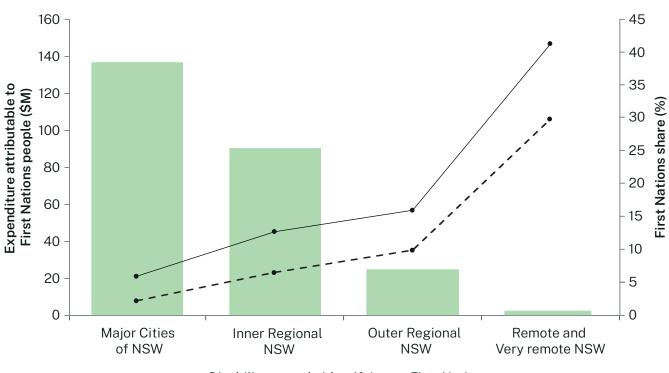
Expenditure by remoteness area

Figure 24 shows total expenditure by remoteness area.

Key points:

- Expenditure is highest in major cities, and lower in other areas, which is a consistent theme in this Report.
- First Nations apportioned expenditure in Inner Regional NSW (14.1 per cent), Outer Regional NSW (5.3 per cent) and Remote and Very Remote NSW (0.9 per cent) is higher compared to the non-First Nations total State spend; and
- First Nations share of expenditure tracks above population share.

Figure 24: Expenditure attributable to First Nations people, by remoteness area - 2020-21



Disability – people identifying as First Nations

--- First Nations people's share of expenditure

-•- First Nations people's share of population

Summary

Child protection and out-of-home care is one of the largest drivers of First Nations expenditure with an estimated spend of \$806 million attributed to First Nations for these services in 2020–21. This represents a 42 per cent of the \$1.9 billion of the total child protection and out-of-home care spend across New South Wales, significantly outweighing the First Nations population share of 3.4 per cent. This is closely followed by the expenditure on Prison services which is an estimated \$658 million, which also represents a disproportionate 29 per cent per cent share of the \$2.3 billion of prison expenditure across New South Wales.

Stronger Communities is also responsible for NSW Government expenditure under the social housing and disability service areas that provide an important service to First Nations communities. Social housing has an estimated apportioned expenditure of \$131 million, or 10 per cent of a total \$1.3 billion spend, and \$262 million, or 8 per cent of a total \$3.2 billion has been apportioned to First Nations users in the disability service area.





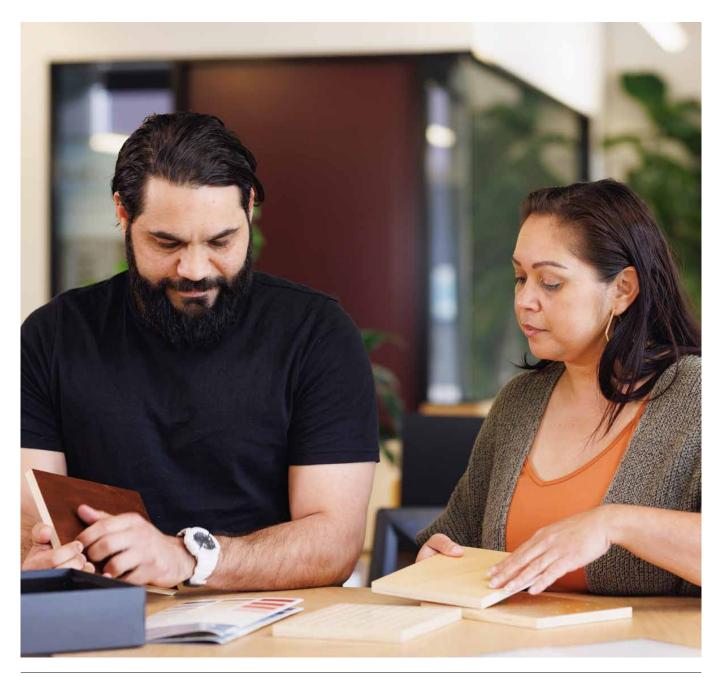
NSW Newly Funded Initiatives to Address Close the Gap Targets

While the key purpose of this Report is to establish a baseline understanding of non-targeted First Nations expenditure this section provides an overview of the 2022–23 Budget initiatives developed in partnership with First Nations to meet commitments under the National Agreement.

These initiatives seek to improve outcomes for First Nations people in areas ranging from health, wellbeing, education, justice, land rights, housing security and more. The newly developed initiatives will include funding of \$188.6 million across the forward estimates.

Working in Partnership with First Nations communities and Closing the Gap Governance

The NSW Government is committed to working in partnership with First Nations communities and making progress against the 17 Targets and five Priority Reforms under the National Agreement. To this end, the NSW Government has established 13 Officer Level Working Groups (OLWGs) to address each priority reform and target area in New South Wales. The OLWGs include expert members from the NSW CAPO and other First Nations organisations, as well as members from Government clusters. OLWGs are responsible for day-to-day Closing the Gap governance and are responsible for developing, implementing, and monitoring NSW Government actions towards Closing the Gap Targets and Priority Reforms. OLWGs report into the NSW Closing the Gap Partnership Working Group (PWG). The PWG consists of senior executives across the Government, NSW CAPO and other First Nations organisations. The PWG reports into the Closing the Gap (NSW) Joint Council and is responsible for or providing expert advice from across government and non-government sectors and provides recommendations to the Joint Council, which is jointly chaired by the NSW Minister for Aboriginal Affairs and the Chairperson of the NSW CAPO. The NSW Joint Council is responsible for shared decision-making and driving Priority Reforms, resourcing and has oversight of planning and implementing the National Agreement.



Themes of the 2022–23 CTG Budget Initiatives

Addressing First Nations Overrepresentation in Crisis Services (Correctives and Out-of-Home Care)

The NSW Government will spend \$12.2 million in 2022–23 and \$30.1 million over the forward estimates on seven initiatives designed to address First Nations overrepresentation in the criminal justice and Out-of-Home Care systems. These initiatives seek to directly address Socio-economic Targets 10, 11, 12 and 13 of National Agreement. The Stronger Communities cluster, in partnership with a number ACCOs, will be responsible for assisting the NSW Government in delivering these initiatives.

The NSW Government is investing in the NSW Aboriginal Justice Partnership designed to deliver new equal and genuine partnership between First Nations communities across New South Wales and the NSW Government to improve justice outcomes and family and community safety. It represents a major shift in the way the NSW Government works with Aboriginal communities. The NSW Government is also investing in the Strong Families, Our Way initiative. Strong Families, Our Way is a project that focuses on strengthening sustainable, community-led structures of self-determination in the First Nations child and family system in New South Wales.

These initiatives are designed to support selfdetermination and economic prosperity by expanding First Nations' involvement in state-wide design and delivery. They will use Aboriginal-led decision-making and embed First Nations cultural protocols, expectations, and experiences, which will support better outcomes for children, families and communities. Their future evaluation will add to the base of evidence for community partnership in service delivery.

Promoting Shared Access to Data and Information at a Regional Level

As previously discussed, the NSW Government's capacity to collect, analyse, and share information on First Nations-related expenditure is in its early stages of development. To build maturity within the sector the NSW Government has invested in \$7.7 million in 2022–23 and \$11.1 million across the forward estimates to improve data capability.

This investment involves funding NSW CAPO and government clusters to collaboratively design an NSW Aboriginal Data Sovereignty policy and strategy. The proposal will include the establishment of a project team and enable consultation with First Nations communities and government stakeholders. To enable the NSW Government to deliver on its data sharing commitments under the National Agreement, it will invest in creating a project team to coordinate the whole of government response to Priority Reform 4.

Improving the health and wellbeing of First Nations communities

The NSW Government will spend \$6.5 million in 2022–23 and \$23.1 million across the forward estimates on three initiatives aimed at addressing health disadvantages experienced by First Nations communities. These initiatives will provide culturally responsive services to First Nations communities in the areas of suicide prevention, mental health, and cancer care.

Leveraging existing capacity in the ACCHS, the NSW Government will fund 12 ACCHOs to deliver culturally responsive suicide prevention services that promote social and emotional wellbeing. The *Building on Aboriginal Communities' Resilience* initiative will ensure First Nations people are designing and leading the response to their communities' needs by implementing culture as treatment, cultural restoration and healing with attention to local contextual needs in suicide prevention work.

Better understanding and fostering digital inclusion for First Nations communities

One of the new areas of focus in the National Agreement is fostering increased levels of digital inclusion in First Nations communities. Further research is required to better understand different communities' challenges and priorities relating to digital inclusion so that a meaningful baseline measure and a pathway to parity between First Nations and non-First Nations people can be established. To meet this need, NSW Government is investing \$6.2 million across four years to undertake research and evaluation and establish a digital inclusion pilot program to better understand and foster digital inclusion in First Nations communities. The research and evaluation work will be delivered in partnership with NSW CAPO, while the digital inclusion pilot will support ACCOs and Aboriginal-run digital organisations to deliver localised solutions to increase digital inclusion and make government services more accessible.

Land and Housing

The NSW Government is investing \$6.8 million in 2022–23, and \$14.3 million across the forward estimates, to support several initiatives that will work in partnership with First Nations communities and organisations to improve land and housing outcomes.

Initiatives have been designed to support the establishment of a taskforce to solve legislative and operational disharmonies between the *Native Title Act 1993* (Cth) and the *Aboriginal Land Rights Act 1983* (NSW) to support better land outcomes and economic development opportunities. New funding is also supporting the redesign of more efficient and effective systems of land transfer and management in partnership with First Nations communities. It will also improve resourcing for Local Aboriginal Land Councils and Registered Native Title Prescribed Bodies Corporate to optimise land use post-transfer.

Building the Capacity of the Aboriginal Community-Controlled Sector

Aboriginal Affairs NSW (AANSW) plays a central role in working with First Nations communities throughout New South Wales and is responsible for coordinating the NSW Government's response to the National Agreement. AANSW will receive \$9.8 million in 2022–23 and \$6.8 million across the forward estimates to assist the government in meeting the commitments under the National Agreement.

A key component of the National Agreement is to build the capacity of the ACCS to provide critical service delivery of First Nations programs and policies. New initiatives developed by AANSW will undertake research to explore and develop partnership operation models that facilitate service delivery by First Nations providers in a sustainable manner. This research will form the basis of a more detailed proposal to Government for consideration during future budget rounds.

Building up the evidence base of effective Government Policy

The Interim Report highlighted certain areas for improvement in the evaluation of First Nationsspecific initiatives, with only 33 per cent of eligible services formally evaluated. To ensure that the newly funded initiatives under the Closing the Gap governance process are achieving their intended outcomes, all proposals have an evaluation component within their budget. In 'closing the gap' between First Nations Australians and the mainstream population, it is critical that the NSW Government understands what is effective when providing services to First Nations communities.

By incorporating an evaluation into each initiative, the NSW Government can identify successful initiatives that improve outcomes. Once these successful initiatives have been identified the NSW Government can then look to scale up well performing programs.

Evaluations can also identify initiatives that are not providing benefits to First Nations communities. By understanding which programs are effective and why, the NSW Government can prioritise funding toward initiatives that have an evidentiary basis for the positive difference they make in communities. Program evaluations can also identify core effectiveness principles, such as place-based decision making for developing First Nations policies. These concepts will be discussed in the following and final section of the Report. First Nations expenditure reporting and Treasury's related initiatives

Key points:

Treasury has been working on various initiatives to support the objectives in this Report. These initiatives are:





NSW Outcome Budgeting framework

Grounded research into regional 'service mapping'

NSW Aboriginal Economic Prosperity Framework



Program evaluations based on Aboriginal cultural protocols



NSW Aboriginal Procurement Policy

This Report supports these initiatives by establishing a key part of the evidence needed to analyse, for example, the correlation between investment and outcomes, or the relationship between procurement investment and economic development.

Aligning NSW Government Expenditure with Outcome Budgeting for First Nations peoples

Outcome Budgeting is a Treasury led NSW Government reform to allocate all government expenditure to outcomes to be achieved for the NSW community.⁵⁶ A core component of this reform is the Outcome and Performance Framework, which provides a mechanism for clusters and agencies to align their program expenditure to one of New South Wales' 37 State Outcomes. Under the Outcome and Performance Framework, clusters report on how their expenditure is achieving outcomes against targets through a variety of Outcome Indicators and Program Performance Measures. Clusters report on these measures to the NSW Government annually through Outcome and Business Plans, which facilitate performanceinformed investment decision-making.

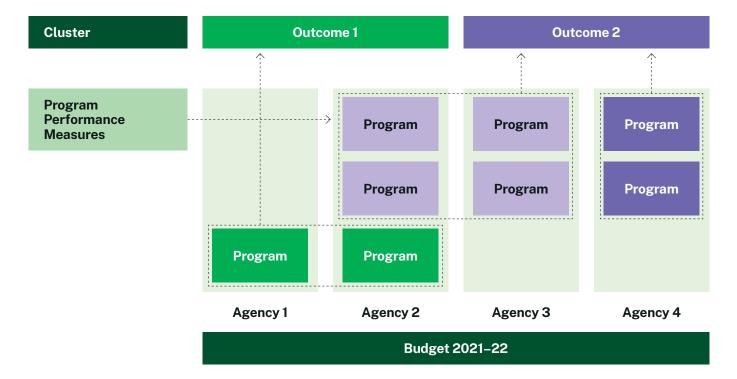


Figure 25: NSW Outcome Budgeting Schema

The Aboriginal and Torres Strait Islander Outcome Budgeting Landscape Report

Treasury is committed to ensuring that the NSW Government's expenditure on First Nations people and communities is achieving real outcomes in these communities. In March 2022, Treasury published the Aboriginal and Torres Strait Islander Outcome Budgeting Landscape Report 2020–21 (the Landscape Report), which reviews how Government clusters and agencies have embedded and measured outcomes for First Nations communities in their implementation of Outcome Budgeting reforms.⁵⁷

The Landscape Report provides insights that can complement findings presented in this Report to give a more comprehensive understanding of how outcomes are monitored and reported against the government's investment into First Nations communities. Ultimately, by gaining a comprehensive understanding of both targeted and non-targeted expenditure as it relates to First Nations people in New South Wales, the Government can begin to determine the efficiency and effectiveness of its expenditure profile and whether programs and services are improving outcomes as intended.

While the Landscape Report does not draw direct lines of causation between the level of state expenditure and improvements in First Nations outcomes, it does allow for correlations to be seen between the way the government budgets for socioeconomic outcomes, how Closing the Gap Targets are embedded in cluster outcome and business plans, and how expenditure is allocated to programs according to this planning.

Embedding First Nations outcomes in Cluster business planning

The Landscape Report makes several recommendations for how clusters and the NSW Government can better embed and progress First Nations-related outcomes as part of its regular business planning and outcomes performance reporting processes. Some of these recommendations focus on better aligning reported outcomes to the Closing the Gap Priority Reforms and Socio-economic targets.

As clusters implement these recommendations by developing new First-Nations specific measures and continue to report on these measures, a more comprehensive view will emerge as to the outcomes being achieved across government by investment into First Nations programs and communities. In time, this will allow future investment into First Nations communities to be reprioritised away from underperforming programs and services towards those that are performing well. Regular public performance reporting on First Nations outcomes will provide a mechanism to clarify and strengthen accountability for achieving the Government's priorities for First Nations communities.

Building a whole-of-government approach to closing the gap

While the NSW Government's efforts to achieve the 17 Closing the Gap Targets are each led by a specific cluster or agency, many of these outcomes are interrelated and can be enhanced through crosscluster collaboration. For example, positive education and health outcomes are linked to higher levels of employment and lower incarceration rates.

One of the recommendations of the *Landscape Report* is aimed at strengthening cross-cluster collaboration to achieve First Nations-related outcomes. Treasury is responding to this recommendation by identifying opportunities to enhance and incentivise cross-cluster collaboration and support more effective investment.



Building the evidence base of 'what works' through evaluation

Treasury is working to lift the evidence base on 'what works' in achieving outcomes for First Nations people and communities. One of the ways that Treasury is doing this is by developing measurement frameworks that are informed by First Nations cultural values.

Taking a consultative approach, Treasury is progressing the development of key investment frameworks to better support CBA and evaluations. CBA and evaluations are valuable tools that help inform decision making so that public funding goes where it is most needed and is most effective. To yield the greatest benefit these evidence tools are being adapted to better capture and incorporate First Nations worldviews and community priorities; this will better support meeting Closing the Gap Targets, as well as government understanding of what works for communities, and what accords with community aspirations.

In alignment with the NSW Government's Opportunity Choice Healing Responsibility Empowerment (OCHRE) Plan for Aboriginal Affairs and the recommendations of the Productivity Commission's *Indigenous Evaluation Strategy*, Treasury is committed to ensuring that these new frameworks put First Nations people and perspectives at the centre of evaluation and appraisal.⁵⁸

These frameworks move beyond theoretical work toward a focus on listening to, and partnering with, First Nations people and communities on their experiences of programs. Four core principles guide this approach to design and engagement:



Partnership – doing things with First Nations people and communities, rather than to First Nations people



Listening – taking a 'searchers' mentality and listening with an open mind, instead of a set agenda



Reciprocity – engaging in a two-way flow of information rather than 'extracting' information from First Nations people; and



Strengths-based – focusing on the capabilities, skills, knowledge and potential of individuals and communities.

To date, some of the core activities informing the design of the frameworks have included reviews of past practice, a listening series involving both First Nations community and government representatives, building relationships with stakeholders on live projects and exploring test cases that align with the priorities of First Nations communities at the local level.

While there is much more to be done to embed First Nations voices in policy, program design and evaluation, findings from the Productivity Commission suggest that successful initiatives tend to be:



Implemented with an associated evidence-base



Designed, developed and delivered **with** First Nations people and communities; and



Flexible and adaptable to local contexts.⁵⁹

A strong example of where the application of these principles has helped to deliver meaningful and measurable outcomes is the Remote Laundries Project in the Northern Territory (Case study below). Case study: Social and Economic Impact by Design – A Cost-Benefit Analysis of the Remote Laundries Program The Remote Laundries Project first emerged in 2018 from discussions between the Aboriginal Investment Group (AIG) and Balaga Aboriginal Corporation on sustainable economic development opportunities for the Northern Territory community of Barunga. Drawing on their local knowledge and desire to deliver meaningful social impact, the groups proposed to establish a community laundry as a means to support improved health outcomes and create local jobs.

After further consultation and scoping with Traditional Owners, First Nations community members, local service providers and commercial laundromat operators, the Barunga pilot site was launched in February 2019. The innovative design utilises a 20-foot sea container with a hydraulic arm and provides free access to four commercial washers and four dryers, reliable hot water and power and an ongoing supply of medical grade sanitiser, detergent and softener. Opening hours have also been tailored to the needs of the community.

KPMG conducted a CBA of the project which estimated that every dollar invested in the Barunga remote laundry delivers a benefit of between **\$3.59 and \$8.50**.⁶⁰ This reflects the quality-of-life improvements and cost savings that flow from the reduced risks and incidence of skin, eye and ear infections and secondary illnesses such as rheumatic heart disease, as well as the cost savings for government from higher local employment. Additional benefits, such as the flow on impacts of increased school attendance were also identified but not captured in the CBA results. KPMG estimated that if rolled out to a total of seven communities, the project could deliver a net benefit of **\$72.65 million over five years**.

Following the success of the pilot, new remote laundries have been established in Casuarina in Northern Darwin and Angururu in East Arnhem Land, with additional sites planned for 2022. An important feature of the project's expansion is that each site has unique operating arrangements aligned with the needs of each community.

Together with expenditure reporting, this work is starting to build an evidence base that will be continually improved over time. Better evaluation of programs allows planned policy changes and resource re-allocation decisions to improve the quality and effectiveness of Government expenditure, against the backdrop of outcomes analysis.

Source: Aboriginal Investment Group (2021), KPMG (2021).



Service Analysis – Developing Place-Based Solutions

Developing place-based solutions is pivotal to improving outcomes for First Nations communities.⁶¹ First Nations communities face different issues depending on their geographic location. It is critical that the NSW Government works in genuine partnership with First Nations communities. Partnership models can enable First Nations communities to have a say on what services are available within their community, understand their aspirations, assist in developing place-based initiatives and leverage community knowledge to develop policy initiatives to increase workforce participation and economic development.

For this Report, Treasury engaged in various consultations with First Nations communities. One recurrent theme emerging from these consultations was the need for Government agencies to develop service mapping capabilities for the benefit of communities. Comprehensive service mapping may identify key geographic service gaps, while assisting with the promotion of existing services that may be underused. Service mapping may also provide a knowledge base from which to assess their usage, which can, in turn, assist in their evaluation.

The Interim Report found that NSW Government clusters experienced barriers in geographically disaggregating their expenditure data. The Interim Report identified that \$302 million (or 27 per cent) of the \$1.1 billion of First Nations-specific expenditure was broken down to the Local Government Area level. The second data collection of First Nationsspecific expenditure identified that \$323.7 million (or 25 per cent) of the \$1.3 billion total could be disaggregated.⁶²

For the non-targeted expenditure data Treasury collected for this Report, disaggregation was linked to service user data (for example, the recorded residential address of a prison inmate). For the Interim Report, clusters were asked to disaggregate Targeted expenditure data where this information was available to them (for example, expenditure related to Aboriginal Equity Loading in the Education cluster was able to be linked to the LGA in which a school receiving that funding was located). For the Interim Report, 73 per cent of the targeted expenditure data received was unable to be disaggregated, for a number of reasons. Following the Interim Report, Treasury engaged with clusters and agencies on the challenges they have faced in providing geographically disaggregated data. The key issues identified were:

- each cluster has its own internal and external reporting requirements, and in most cases are not required to provide geographically disaggregated data as was required for this Report;
- programs are state-wide initiatives and data is therefore not captured at the Local Government Area level;
- existing financial information systems are primarily designed to meet statutory reporting obligations of agencies and therefore do not necessary geotag expenditure data; and
- given reporting on First Nations expenditure is new – this is just the second time clusters have been asked to report this information – there is a lack of dedicated resources within clusters to undertake disaggregated analysis of targeted data where it is available, or the resources to collect this information where there is a gap.

Dealing only with state-wide aggregate data makes it difficult for the NSW Government to provide localised initiatives and place-based solutions. It can therefore be difficult to determine whether program expenditure is proportionate to local needs.

Case study: Walgett – Service Mapping Pilot

Treasury and Regional NSW are collaborating to develop a method to promote service mapping capabilities for First Nations communities. The intention is for this capability to be piloted in the remote NSW town of Walgett. If successful, the pilot will be rolled out to additional First Nations communities in New South Wales.

Consultation sessions were held with community representatives, such as the Dharriwaa Elders Group, Walgett Aboriginal Medical Service and Walgett Local Aboriginal Land Council. These consultation sessions were held to discuss the current provision of employment and training services, the effectiveness of services within the community, ideas for communitybased initiatives which could increase workforce participation and future training and employment services that could be commissioned in partnership with the community.

Stakeholders discussed problems of coordination between the current available community services, noting that there is a need to match the skills training on offer with job opportunities within the community. For example, the current employment services offered by the Federal Government did not align with the education and skills training offered by NSW TAFE; community stakeholders emphasised the need for more entry level jobs for youth in community.

Community members also discussed the current lack of holistic or 'wraparound' services. They stated that some ACCOs can deliver these types of services but require consistent funding to do so effectively, citing an example of a child-care service provided through the Local Aboriginal Land Council. Community members discussed their desire for the NSW Government to explore funding models for local services, as opposed to visiting services coming in and out of the community.

Using the information gathered from the consultation sessions, Treasury and Regional NSW intend to undertake analysis of the services offered in Walgett. This information will then inform future decisions on what services are available in Walgett and identify areas for increased efficiency and effectiveness. Such localised service-mapping exercises provide important evidence base to inform future disaggregated expenditure analysis.



NSW Aboriginal Procurement Policy

The Aboriginal Procurement Policy (APP) has the objective of contributing to Growing NSW's First Economy. Government procurement provides a significant opportunity to increase skills and economic participation within First Nations communities and demonstrates the State Government's commitment to valuing the economic, social and cultural contributions of First Nations peoples.

The objectives of the NSW APP are to support employment opportunities for First Nations peoples and support sustainable growth of First Nationsowned businesses by driving demand through Government procurement of goods, services and construction. The APP has been in effect since January 2021 and included the follow targets by 31 December 2021:

- 1 per cent of total addressable spend The APP aims for NSW Government clusters to direct 1 per cent of the cluster's addressable spend to First Nations businesses
- 3 per cent of total goods and services contracts – The APP aims for NSW Government clusters to award 3 per cent of the total number of goods and services contracts to First Nations businesses, and
- 3,000 full time equivalent employment (FTE) employment opportunities supported – The APP aims to support an estimates 3,000 FTE opportunities for First Nations peoples through NSW Government procurement activities.

Cluster	1 per cent Addressable Spend Targets	Actual Direct Spend	3 per cent Goods and Services Targets	Actual Contracts
Department of Customer Service	\$1.3 million	\$7.6 million	5	0
NSW Education	\$9.2 million	\$14.0 million	4	36
NSW Health	\$7.8 million	\$9.0 million	35	2
Department of Planning, Industry and Environment	\$6.9 million	\$15.7 million	11	4
Department of Premier and Cabinet	\$0.7 million	\$0.9 million	3	15
Department of Regional NSW	\$1.7 million	\$16.8 million	3	5
Department of Stronger Communities	\$7.7 million	\$14.8 million	4	13
Transport for NSW	\$23.3 million	\$19.6 million	36	50
NSW Treasury	\$0.7 million	\$2.1 million	1	1
Total	\$59.3 million	\$100.5 million	102	126

Table 4: Aboriginal procurement policy 2020-21 outcomes

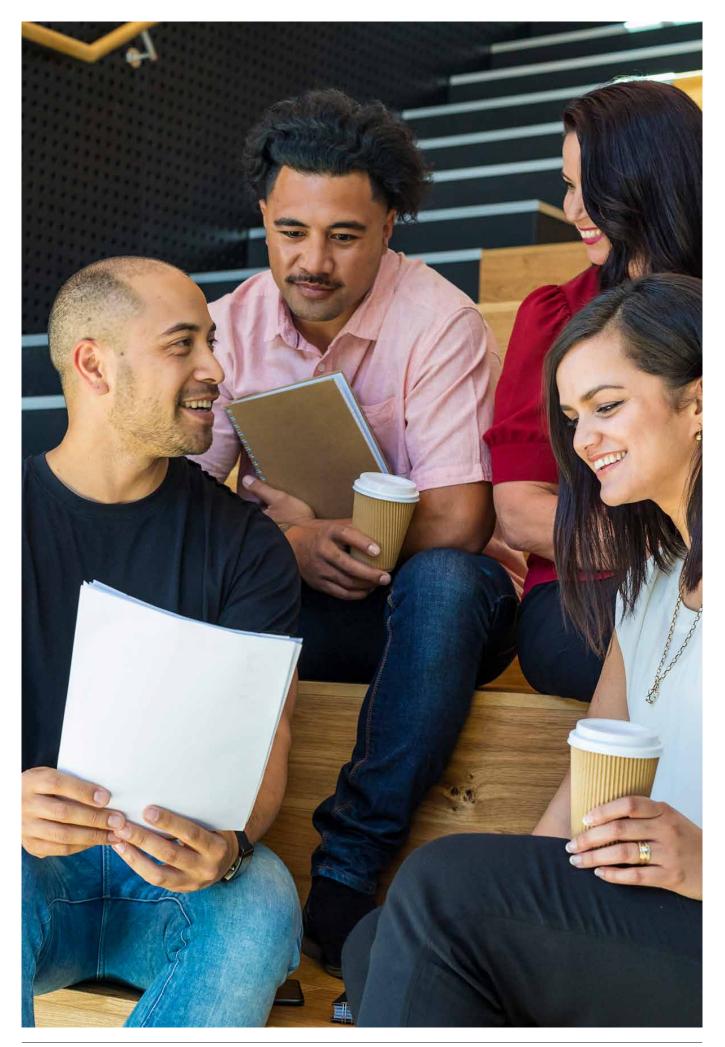
Although the APP is a key policy document supporting the economic prosperity of First Nations communities, it is open to improvement – in fact, the APP is currently under review based on First Nations' community feedback. The current review will consider solutions to problems identified by First Nations community stakeholders and businesses around transparency of information, contract competition and planned budgeting of capital expenditure by the NSW Government.

Summary

Various initiatives across Treasury support the objectives in this Report to appropriately categorise and measure First Nations-related expenditure, with the aim of developing a baseline for future state investments in First Nations communities. These include: the NSW Aboriginal Economic Prosperity Framework, the NSW Outcome Budgeting framework, grounded research into regional 'service mapping', program evaluations based on First Nations cultural protocols, and the NSW Aboriginal Procurement Policy.

This Report contributes to an evidence base for these associated policies and frameworks to be successful, by calculating total First Nations expenditure by the state government across three piloted clusters, and 12 COFOG-A service areas. The results of this Report can therefore be of great value in understanding expenditure trends and variances of spending across demographic brackets.









Conclusions

The Comprehensive Indigenous Expenditure Report is the first of its kind in New South Wales. Using a data-driven model to build its method, this Report aims to quantify state Government expenditure apportioned to First Nations peoples and communities and present those findings over the previous fouryear period. Piloting the method with three NSW Government clusters (Education, Health and Stronger Communities), the Report covers 12 discrete service areas representing approximately 65 per cent of nontargeted expenditure on First Nations communities.

Main Findings: Non-Targeted expenditure

The NSW Government is estimated to have spent \$4.5 billion in 2020–21 on First Nations people and communities across the 12 service areas piloted for this Report. The \$4.5 billion estimated represents approximately 11 per cent of the \$42.3 billion of government expenditure in these services areas. Estimated expenditure in 2020–21 is highest for General Hospital Services (\$837 million), Children Protection and Out-of-Home Care Services (\$806 million), Prisons (\$660 million), Government Primary Education (\$601 million) and Government Secondary Education (\$510 million).

Expenditure relating to First Nations people has increased over time in all three government clusters piloted in this Report has increased at a higher average annual rate of change compared to non-First Nations populations. However, this increased expenditure has not been correlated with a resulting improvement in statistics such as a reduction in the number of children in out-of-home care, or a reduction in the First Nations prison population - both of which are key Targets of the National Agreement. In fact, these statistics have worsened over time. Again, while it is not the objective of this Report to make policy recommendations in these areas, the Report does establish an evidence baseline of state government expenditure trends in service areas related to these Socio-economic Targets. As such, further work can be done to evaluate programs and the effectiveness of current spends.

The data collected for this Report revealed that the following areas had a significantly higher share of expenditure than the 3.4 per cent population share for First Nations People:



Child Protection and Out-of-home Care has the highest share of expenditure with **42 per cent** attributable to First Nations service use



Prisons also has a high share of expenditure with **29 per cent** attributable to First Nations service use



Special education is also high with 17 per cent of total expenditure attributable to First Nations service use; and

Mental health institutes expenditure is **10 per cent** of total expenditure attributable to First Nations service use.

Location and accessibility are key factors when providing programs and services for First Nations communities. There were considerable differences in how expenditure was apportioned across the regions in New South Wales:



\$2.1 billion is spent in major cities,
\$1.6 billion in inner regional areas,
\$0.6 billion in outer regional areas and
\$0.1 billion in remote and very remote areas



First Nations people's share of expenditure varies from 7 per cent in major cities to 55 per cent in remote and very remote areas



First Nations people's share of expenditure tracks above population share in each area. For example, in major cities First Nations people have a 7 per cent share of expenditure, and a 2 per cent share of population; and



In regional and remote areas, First Nations health expenditure (service use) tracks below population share, despite higher concentrations of First Nations people and communities in outer regional and very remote areas of New South Wales. Disaggregation of data by age was a critical factor for this Report. The median age of First Nations people in New South Wales is 16 years younger than non-First Nations counterparts; there remains a disproportionate rate of First Nations youth in child protection, out-of-home care and the criminal justice systems.

An analysis of expenditure by age revealed that:



Spending is the highest for children, reflecting the cost of education, health and child protection services with First Nations demand outpacing non-First Nations' demand



Health costs generally rise with age across the population, but the *share* is lower for First Nations people



Prison and disability funding are highest for adults and young adults, primarily due to overrepresentation in the prison population; and



First Nations share of expenditure is highest for children and young adults, and then declines with age. It is *higher* than the general population share across all four age groups.

Main Findings: Targeted expenditure

To complement the data collected to calculate nontargeted expenditure on First Nations communities, NSW Treasury sought a refresh of the data that informed the Interim Report, with a view to understanding targeted expenditure trends. The NSW General Government spent \$1.3 billion on First Nations-specific programs and services in 2021–22. The biggest contributors to this expenditure are the Planning, Industry and Environment cluster (\$385.0 million), Stronger Communities cluster (\$230.7 million) and Education cluster (\$193.9 million).

Overall, First Nations targeted expenditure represented just 17.9 per cent of total expenditure. Future evaluation and reporting will aim to integrate these elements to understand whether targeted expenditure – especially delivered in partnership with, or delivered solely by, ACCOs – has a higher success rate in meeting its objectives to redress socio-economic disadvantage than does general non-targeted expenditure.

Words of caution

The data presented in this Report illustrates Government expenditure as a limited time series analysis. The inherent limitations of the method and calculation method are discussed in the Report and should be considered when interpreting the data. There are limits to the conclusions that can be drawn from expenditure data. Even when disaggregated, expenditure data cannot provide concrete information about the quality of Government services as experienced by First Nations people, or the effectiveness of those services relative to certain measures, such as Closing the Gap targets or outcomes evaluation. Such information would rely on other methods such as CBAs, which Treasury is working to develop in consultation with First Nations communities to ensure such methods are culturally appropriate.



Next steps

This Report is the first of its kind in New South Wales, presenting a more comprehensive overview and analysis of First Nations related state expenditure in the 'non-targeted' and 'targeted' areas. It should be noted that the data presented in the Report are estimates and that these estimates depend upon the method employed and the quality of data provided. Nevertheless, the data and analysis undertaken in this Report establish:

- a baseline to interpret expenditure trends
- a resource with which to assess future budget policy proposals; and
- a solid basis for building culturally appropriate economic tools, such as CBAs.

This Report should inform future evaluations of programs in conversation with the Closing the Gap Targets and Priority Reforms, as well as Treasury's Outcome Budgeting Framework. Moving forward, Treasury would like to work with agencies to extend this pilot to all clusters of NSW Government. The aim is for Treasury to produce regular, formalised, comprehensive First Nations expenditure reporting to build a quantitative information base from which to inform policy decisions. This will support the continued evolution of Outcome Budgeting so that outcome performance data from clusters can better inform the assessment of expenditure effectiveness for First Nations people in New South Wales.

Ultimately, this cannot be accomplished without ensuring that First Nations people are at the centre of policy decision-making affecting them, and that policy design and evaluation occurs at the local level.

The NSW Government is seeking to partner with First Nations communities through the Closing the Gap model of co-developed initiatives in the 2022–23 State Budget. This is a positive step, with clusters working to ensure that public expenditure is calibrated to have an optimal social impact for First Nations people and communities in New South Wales.



References

16. References

- 1. The use of the initialism ACCS reflects both Aboriginal and Torres Strait Islander Community-Controlled Organisations.
- 2. A note on terminology: the term 'First Nations' is applied throughout the document in preference to Aboriginal and Torres Strait Islander peoples. The title of the Report remains the 'Indigenous' Expenditure Report for consistency with the Interim Report. Within the Report the term 'Aboriginal and Torres Strait Islander' is used sometimes as a designator or descriptor with reference to source material (e.g. Census data), and the word 'Aboriginal' is used sometimes as part of a program or agency title. The acronyms 'ACCO', 'ACCHO' and/or 'ACCS' are used to reference 'Aboriginal Community Controlled [Health] Organisation [or Service]' as these acronyms are established in community parlance.
- 3. 'Targeted expenditure' is defined as expenditure on programs or services that are specifically designed to support First Nations communities (e.g. expenditure on Indigenous Community Housing). This was the subject of the Interim Report published in November 2021. 'Non-targeted expenditure' is defined as First Nations people's share of expenditure on programs or services that are available to all Australians (e.g. expenditure on the hospital system, school system and other general government services).
- 4. Australian Productivity Commission, Closing the Gap Data Annual Data Compilation Report July 2021 (released 28 July 2022). Accessed at, <u>Annual Data Compilation Report July</u> 2021 | Closing the Gap Information Repository-Productivity Commission (pc.gov.au), 1 August 2022.
- 5. Australian Productivity Commission, *Indigenous Expenditure Report* (2017). Accessed at, <u>Indigenous Expenditure Report</u>-<u>Productivity Commission (pc.gov.au)</u>, 1 August 2022.
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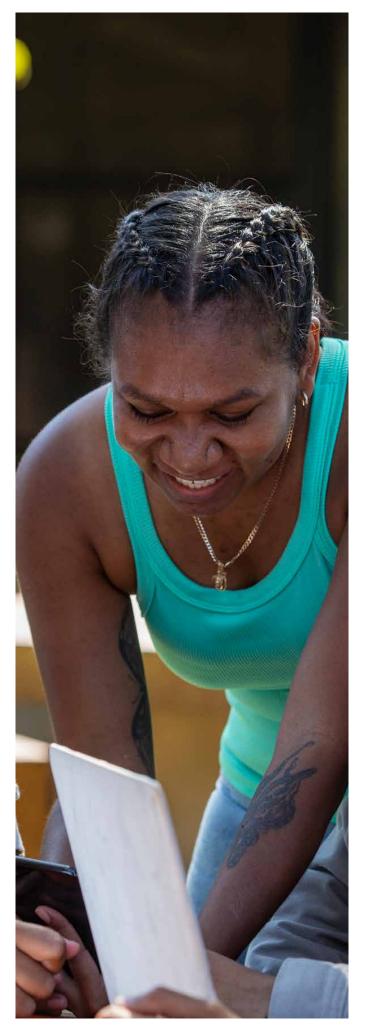
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Appendix A

STORE P

COFOG-A definitions

Service area	Definition
Health: General hospital services ⁶⁴ (COFOG-A group 0731)	 General hospital services consist of: The provision of general hospital services. The administration, inspection, operation or support of hospitals that do not limit their services to a particular specialty. Includes: Designated psychiatric or psycho-geriatric units within hospitals; care of 'nursing-home type patients' (defined by the Health Insurance Act 1973 as patients in a hospital who have been provided with accommodation and nursing care, as an end in itself, for a continuous period exceeding 35 days) in hospitals; free standing clinics; alcohol and drug treatment centres. Excludes: Medical centres not under the direct supervision of a qualified medical doctor; health research; admitted patients in specialised psychiatric hospitals.
Health: Specialised hospital services ⁶⁴ (COFOG-A group 0732)	 Specialised hospital services cover services provided by specialised hospitals. Specialised hospitals differ from general hospitals in that their services are limited to treatment of a particular condition, disease or class of patient, for example, diseases of the chest and tuberculosis, leprosy, cancer, otorhinolaryngology, psychiatry, obstetrics, paediatrics, dental and so forth. This category consists of: The provision of specialised hospital services. The administration, inspection, operation or support of hospitals that limit their services to a particular medical specialty. Excludes: Medical centres not under the direct supervision of a qualified medical doctor; health research; admitted patients in specialised psychiatric hospitals.
Health: Mental health institutions ⁶⁴ (COFOG-A group 0741)	 Mental health institutions consist of: The provision of services by mental health institutions. The administration, inspection, operation or support of mental health institutions. Includes: Institutions that exist primarily for the treatment and care of admitted patients with psychiatric, mental or behavioural disorders such as specialised psychiatric hospitals and psycho-geriatric nursing homes. Excludes: Designated psychiatric or psycho-geriatric units within hospitals; institutions providing psychiatric care as part of alcohol and drug treatment programs.

• •	
Service area	Definition
Health: Specialised medical services ⁶⁴ (COFOG-A group 0722)	 Specialised medical services cover the services of specialised medical clinics and specialist medical practitioners. Specialised medical clinics and specialist medical practitioners differ from general medical clinics and general medical practitioners in that their services are limited to treatment of a particular condition, disease, medical procedure or class of patient. This category consists of: The provision of specialised medical services. The administration, inspection, operation or support of specialised
	medical services delivered by specialised medical clinics and specialist medical practitioners
	Includes: Services of orthodontic specialists; accident and emergency services.
	 Excludes: Dental clinics and dentists; services of medical analysis laboratories and x-ray centres.
Education:	Government primary education consists of:
Government primary education ⁶⁴ (COFOG-A group 0913)	 The provision of government primary education, that is, government educational programs that provide a sound knowledge of reading, writing and simple mathematics and an elementary knowledge of other subjects for children from ages 5 to 7 until ages 10 to 12.
	 The administration, inspection, operation or support of schools and other institutions providing government primary education.
	• Includes: Literacy programs for students too old for primary school; special education programs integrated into mainstream government primary education; military schools where the curriculum resembles that of civilian institutions even though attendance may be limited to military personnel and their families.
	 Excludes: Subsidiary services to education; transportation services to students or transportation of other students.
Education:	Government secondary education consists of:
Government secondary education ⁶⁴ (COFOG-A group 0921)	 The provision of government secondary education, that is, government educational programs that extend primary programs on a more subject oriented pattern for a period of 4 to 6 years (some vocational and technical training may occur, particularly in the final years).
	 The administration, inspection, operation or support of schools and other institutions providing government secondary education.
	 Scholarships, grants, loans and allowances to support students pursuing government secondary education.
	• Includes: Out-of-school government secondary education courses for adults and young people other than those offered by colleges of technical and further education; special education programs integrated into mainstream government secondary education; military schools and colleges where the curriculum resembles that of civilian institutions even though attendance may be limited to military personnel and their families.
	• Excludes: Subsidiary services to education; transportation services to students or transportation of other students.

Service area	Definition
Education: Special education ⁶⁴ (COFOG-A group 0991)	 Special education (COFOG-A 0991) consists of: The provision of special educational programs provided by special schools. The administration, inspection, operation or support of special schools. Scholarships, grants, loans and allowances to support students enrolled in special educational programs. Includes: Education of children with a disability or learning difficulties; children with social or emotional problems; children in custody or on remand; children in hospital. Excludes: Subsidiary services to education; transportation services to students; special education programs integrated into mainstream primary education; special education programs integrated into mainstream primary or secondary education.



Service area

Definition

Stronger

Communities: Child protection and outof-home care⁶⁵

(COFOG-A group 1031)

- Child protection and out-of-home care (OOHC) category covers expenditure on child, youth and family welfare services that are protective of children in nature and includes:
 - Substitute care (short term and permanent).
 - Protective investigation, supervision and accommodation.
 - Statutory guardianship management.
 - Assessment and evaluation of offenders by non-judicial bodies.
- Child protection:
 - In the IER, child protection services are those relating to the protection of children and/or young people aged 0–17 years who are at risk of harm within their families. Child protection services cover child protection notifications, investigations and substantiations, interventions and care and protection orders.
 - Child protection services include receiving and responding to reports of concern about children and young people, providing support services to strengthen the capacity of families to care safely for their children, initiating intervention where necessary (including applying for a care and protection court order), working with families to reunite children (restoration), securing permanent out-of-home care where a child is unable to be returned to their parents' care, and working with young people to identify alternative supported living arrangements where reunification is not possible.
 - All expenditure on protective accommodation (for example, residential placements resulting from care and protection orders) should be allocated to out-of-home care services.
- Out-of-home care:
 - Out-of-home care services are those relating to the care for children and young people aged 0–17 years who are placed away from their parents or family home for reasons of safety or family crisis. It covers protective accommodation services, including home based care, facility based care or supported independent living or supported placements. For example, foster care services, supported family group home services, relative or kinship care and community residential care.
- Excludes:
 - Expenditure on child, youth and family welfare services that are developmental (youth) or supportive (families) in nature, such as family support services and child support payments.
 - Child protection treatment and support services –less intensive services targeting at risk families where there are concerns about the safety and wellbeing of children. These are preventative in nature and provide either early intervention or reunification support, e.g. educational services, clinical services (such as counselling), domestic violence services provided directly to children.
 - Intensive family support specialist services aimed at preventing the imminent separation of children from their primary caregivers as a result of child protection concerns, and reunifying families where separation has already occurred.
 - Non-intensive or low level family support services provided to families in need, including identifying and assessing family needs, providing support and diversionary services, some counselling and active linking and referrals to support networks.

Service area	Definition
Service area Stronger Communities: Social housing ⁶⁵ (COFOG-A group 1051)	 Definition Social housing consists of outlays on administration, provision, support, operation, etc of housing affairs and services. In the IER, outlays included are: Public housing -dwellings owned (or leased) and managed by State and Territory housing authorities to provide affordable rental accommodation-provided to First Nations and non-First Nations Australians. State Owned and Managed Indigenous Housing (SOMIH) -State owned and managed housing targeted at First Nations -where government expenditure on SOMIH is separately identified, this should be defined as First Nations Specific Expenditure. Community housing -rental housing provided for low to moderate income or special needs households, managed by community-based organisations that are at least partly subsidised by government -provided to both First Nations and non-First Nations Australians. Community housing models vary across jurisdictions, and the housing stock may be owned by a variety of groups including government. In the IER, outlays excluded are: Indigenous Community Housing - where government expenditure on Indigenous Community Housing can be separately identified, this should be defined as First Nations Specific Expenditure (i.e. targeted expenditure, and no apportionment of expenditure between First Nations people and other Australians is required).
	 Homeless persons' assistance, which should be allocated to homeless persons' assistance for young people, for youth services, or homeless persons' assistance for people other than youth, for all other services.

Service area

Definition

Stronger Communities: Disability⁶⁴

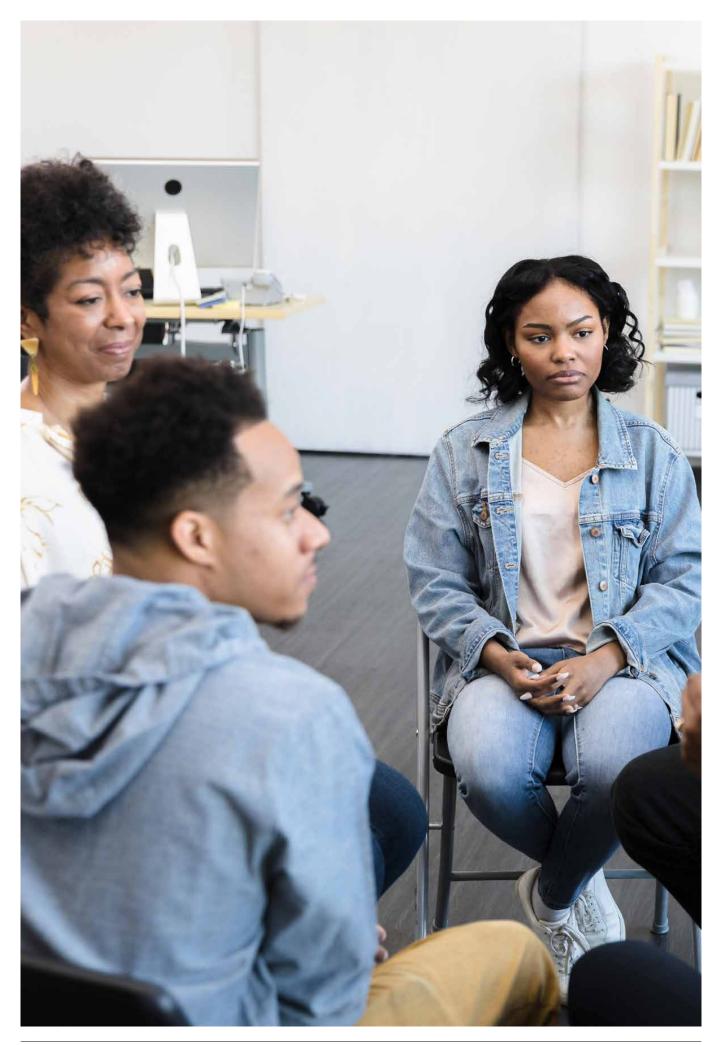
(COFOG-A group 1002)

- Disability consists of:
 - The provision of social protection in the form of cash benefits or benefits in kind to persons who are fully or partially unable to engage in economic activity or lead a normal life due to a physical or mental impairment that is either permanent or likely to persist beyond a minimum prescribed period.
 - The administration, operation or support of such social protection schemes.
 - Cash benefits, such as disability pensions paid to persons below the standard retirement age who encounter a disability which impairs their ability to work, early retirement benefits paid to older workers who retire before reaching the standard retirement age due to reduced capacity to work, care allowances, allowances paid to disabled people undertaking work adapted to their condition or undergoing vocational training, other periodic or lump-sum payments paid to disabled persons for social protection reasons.
 - Benefits in kind, such as lodging and possibly board provided to disabled persons in appropriate establishments, assistance provided to disabled persons to help them with daily tasks (home help, transport facilities, etc.), allowances paid to the person who looks after the disabled person, vocational and other training provided to further the occupational and social rehabilitation of disabled persons, miscellaneous services and goods provided to disabled persons to enable them to participate in leisure and cultural activities or to travel or to participate in community life.
- Includes: Respite care; development care; substitute care; domestic and personal assistance such as services provided through the Home and Community Care Program; services delivered by residential institutions such as hostels, villages and group homes and other services provided under the National Disability Agreement; transport other than public transport; supported employment and rehabilitation such as sheltered employment and training centres for people with a disability; community centres such as day care centres for people with a disability; financial assistance not primarily related to inadequate earning capacity such as concessions specifically for people with a disability (transport and material assistance, etc.); payments made to institutions for children with a disability; pensions and other benefits paid to ex-service personnel to compensate for invalidity and other permanent disablement resulting from service in the defence forces; information sessions on and for people with a disability, meals on wheels.
- Excludes: Cash benefits and benefits in kind paid to disabled persons on reaching the standard retirement age; repatriation benefits payable only to ex-service personnel; domiciliary nursing services not provided as part of a welfare-type package.

Stronger Communities: Prisons⁶⁴

(COFOG-A group 0341)

- Prisons consists of the administration, operation or support of prisons and other places for the detention or rehabilitation of criminals such as prison farms, workhouses, reformatories, borstals, asylums for the criminally insane, etc.
- Includes: Non-institutional corrective services; remand centres; places of secure detention for juveniles, child offenders and children on remand for alleged offences; youth training centres; juvenile corrective institutions; community-based correction activities where the offender or alleged offender is at large in the community but is required to adhere to certain rehabilitation sessions such as parole and probation services, community service orders and attendance centres.
- Excludes: Residential child care institutions that are not places of secure detention such as juvenile hostels, campus homes, family group homes, etc.



Appendix B

Glossary of terms

Term	Definition
Targeted expenditure	Expenditure on programs or services that are specifically designed to support First Nations communities (e.g. expenditure on Indigenous Community Housing). This was the subject of the Interim Report published in November 2021.
Non-targeted expenditure	First Nations people's share of expenditure on programs or services that are available to all Australians (for example, expenditure on the hospital system, school system and other general government services).

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