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Discussion Paper



**ATSIC's mechanisms for resource  
allocation: current policy and practice**

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## SERIES NOTE

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- investigate the stimulation of Aboriginal and Torres Strait Islander economic development and issues relating to Aboriginal and Torres Strait Islander employment and unemployment;
- identify and analyse the factors affecting Aboriginal and Torres Strait Islander participation in the labour force; and
- assist in the development of government strategies aimed at raising the level of Aboriginal and Torres Strait Islander participation in the labour market.

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## **ABSTRACT**

This paper is the first of two focusing on resource allocation policy and practice in the Aboriginal and Torres Strait Islander Commission (ATSIC). The current approach to the distribution of funds is examined here, while CAEPR Discussion Paper No. 42 examines the potential relevance and implications of fiscal equalisation for ATSIC's future funding policy and practice.

A review of ATSIC's current financial structure and powers forms the context for a wider consideration of the financial relationships evolving between the organisation's structural elements. In the complex budgetary process, ATSIC's existing functionally-based program structure is linked to legally specified funding roles. The budgetary procedures and related program framework are critically examined. The role of regional councils and regional planning are discussed and the implications of financial tensions emerging between councils are raised. The emerging relationship between ATSIC's Board of Commissioners, administrative arm and regional councils is posed as crucial, as is that between the newly-formed State Advisory Committees and councils.

The paper considers the implications for ATSIC's current funding role of its representative regional structure, its program structure and emerging pressures towards decentralisation, arguing that ATSIC is in need of an integrated, holistic funding policy and procedures which link regional planning and service needs to national decisions about resource distribution.

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The first of the year was a very dry one, and the crops were much injured by the drought. The weather was very hot, and the ground was very hard. The crops were much injured by the drought, and the weather was very hot, and the ground was very hard.

The second of the year was a very wet one, and the crops were much injured by the rain. The weather was very cold, and the ground was very soft. The crops were much injured by the rain, and the weather was very cold, and the ground was very soft.

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The Aboriginal and Torres Strait Islander Commission (ATSIC) is a complex and unique structure within contemporary Aboriginal affairs. Its present financial role, however, continues to be influenced by the legacy of its predecessors, the Department of Aboriginal Affairs (DAA) and the Aboriginal Development Commission (ADC).<sup>1</sup> The financial operations of DAA were often criticised as being ad hoc, driven by a crisis mentality generated by high levels of Aboriginal and Torres Strait Islander economic disadvantage, and subject to the vagaries of changing relationships with governments, Ministers and influential Aboriginal organisations.<sup>2</sup> The funding role of the ADC was similarly criticised and regarded as being inflexible in its strict economic approach to Aboriginal social and cultural needs. ATSIC's new legal functions and structure provide it with an opportunity to reassess current funding policy and practice. There are indications of a changing approach. ATSIC is currently evaluating the effectiveness of its program and administrative structure and is attempting to develop budget procedures that reflect its distinctive regional basis.<sup>3</sup>

Future funding directions taken by ATSIC will continue to be influenced by broader public policy issues of program evaluation, allocative efficiency and increasing parliamentary pressure for greater financial accountability. But funding policy and procedures are also increasingly being influenced by the distinctive regional structure and the concerns voiced by Aboriginal organisations and communities for greater transparency in its funding process. The considerable challenge before ATSIC, in the face of such critical attention, is to establish an approach to funding which not only results in the equitable allocation of resources and ensures that its funds result in perceivable advances in Aboriginal socioeconomic status (Dillon 1992), but which also promotes its stated objective of 'putting power back into the hands of Aboriginal and Torres Strait Islander peoples' (O'Donoghue 1992: 5).

This paper is the first of two focusing on funding distribution policy and practice within ATSIC. The central concern in both papers is the evident need for a more coherent, transparent funding process that would result in a 'fair distribution of economic resources' (Commonwealth of Australia 1992: 21). ATSIC's current approach to funding distribution is examined here and the potential relevance and implications of fiscal equalisation for its future funding policy and practice is discussed in a subsequent paper (Smith 1993).

A review of ATSIC's current financial structure and powers forms the context for a wider consideration of the nature of the financial relationships evolving between the organisation's structural elements. In the complex budgetary process, ATSIC's existing functionally-based program structure is linked to legally specified funding roles. These

budgetary procedures and related program framework are critically examined. The role of regional councils and regional planning are considered and the implications of financial tensions emerging between councils are raised. The emerging relationship between ATSIC's Board of Commissioners (hereafter referred to as the board), administrative arm and regional councils is posed as a crucial one; as is that between the newly-formed State Advisory Committees (SACs) and councils. The paper considers the implications for ATSIC's funding role of its representative regional structure, its current program operations and emerging pressures towards decentralisation, arguing that it is in need of an integrated, holistic funding policy, and procedures which link regional planning and service needs to national decisions about funding distribution.

### **ATSIC's financial structure and powers**

ATSIC's financial role is guided by the objectives of its enabling legislation, the *Aboriginal and Torres Strait Islander Commission Act 1989*. These emphasise the need to ensure the maximum participation of indigenous people in the formulation and implementation of government policies affecting them; to promote the development of self-determination and self-sufficiency; further their economic, social and cultural development; and ensure co-ordination of policies which affect them at all levels of government (section 3).

The Act also sets out the bases upon which particular financial activities can be undertaken, including making grants for property (sections 14 and 15); housing loans and grants (section 16); enterprise loans and grants (section 17); and funding for a range of purposes to indigenous corporations and to State and Territory governments (section 18). Section 18 effectively encompasses all ATSIC programs while the other sections relate essentially to the operation of the now superseded ADC. ATSIC is authorised, in all of these financial areas, to establish the terms and conditions under which it makes funds available and, importantly, to 'develop policy proposals to meet national, State, Territory and regional needs and priorities of Aboriginal persons and Torres Strait Islanders' (sub-section 7(c)).

ATSIC is somewhat unique in government administration. Its financial powers and structure extend across a hierarchy of elected representatives on the one hand, and an equally hierarchical administrative arm on the other. Sixty regional councils were elected in November 1990, each with between 10-20 councillors acting as regional representatives for three years.<sup>4</sup> Each regional council is a separate legal entity with a range of financial and other functions set out in sections 94-9 of the Act. These

include the formulation and revision of regional plans for improving the economic, social and cultural status of the indigenous population; assisting and advising ATSIC and other Commonwealth and State government bodies in the implementation of that plan; and via the budgetary process, making proposals for expenditure in the region. Councils do not receive or spend funds, rather they will propose intra-regional allocations on the basis of their regional plans.

Regional councils are grouped into 17 zones. Councillors for each zone elect a commissioner to represent them on ATSIC's Board of Commissioners. The board also has a chairperson and two other commissioners appointed by the federal Minister for Aboriginal and Torres Strait Islander Affairs. The board of 20 commissioners is legally required to determine financial priorities and develop budget estimates and a draft budget (section 7). The board and regional councillors have executive responsibility for developing and monitoring ATSIC policy and programs at the national and regional level respectively, and the board for advising the Minister for Aboriginal and Torres Strait Islander Affairs (ATSIC 1990, 1992a, 1993a).<sup>5</sup>

The administrative arm is divided into three tiers at the central, state and regional office level. At the apex, the Chief Executive Officer (CEO), appointed by the Minister subject to agreement by the board, has statutory responsibility for the daily administration of the organisation. The CEO is directly responsible to the Minister in the exercise of these duties, not to the Aboriginal board or to regional councils. At the base of the administrative arm are 29 regional offices responsible for the delivery of ATSIC programs and often serving the needs of more than one regional council. Regional offices administer funds allocated by the councils to Aboriginal organisations and communities, as well as funds allocated by SACs and the board. Regional offices are supported by state offices which co-ordinate grant administration and budget preparation, monitor programs and liaise with State governments in relation to the provision of state and local services to Aboriginal people (ATSIC 1993a: 11).

In 1991, SACs were set up in each State (under section 13 of the Act) comprising all state regional council chairpersons, state managers and commissioners to facilitate financial planning and decision making between regional councils, the bureaucracy and the board. While ATSIC (1993a: 13) argues that these state committees are not to replace the formal consultation between the board and councils, their terms of reference are, nevertheless, extremely wide. In each State, it is the SAC which effectively recommends to the board the division of available state funds between constituent regional councils; advises the board on programs to be conducted on a national basis; and on expenditure trends



with respect to programs and regional council administration (ATSIC 1992a: 28).

The effectiveness of ATSIC funding policy and decision-making hinges on the successful interaction between its board and regional councils and, in turn, on their relations with the Commission bureaucracy and other levels of government (Dillon 1992). It is primarily in the budget process that the financial relationship between these organisational elements is established.

### **ATSIC's budgetary process**

The following account of ATSIC's budgetary procedures offers a partial and simplified view of a complex process. The Act requires ATSIC's board to prepare budgetary estimates for each forthcoming financial year outlining expenditure under sections 14-18 and requires regional councils to prepare draft budgets setting out proposed allocations within their areas. The manner by which these estimates are arrived at involves considerable negotiation between the board, regional councils, state and regional offices, and SACs (ATSIC 1992a).

On bureaucratic advice, the board initially determines the broad mix of funds to its own estimate items; to items excluded from regional council budgets; to regional programs; and for state grants (ATSIC 1992a: 25). ATSIC may issue papers to SACs and state managers on possible new budget and policy proposals, and provides details of existing and forward commitments, state grants and multi-regional projects. State Advisory Committees are supposed to formulate recommendations on the distribution of state allocations between regional councils. Regional offices within each State also provide information on regional councils' ongoing commitments and priorities for new project funding. Taking these areas of advice into account, the board and central financial administrators determine a draft budget and regional budgetary statements, or offers are made to each council.

The draft budget statement for each regional council takes into account the amount spent in the previous year, plus an increment for inflation. To this extent, regions have initially been locked into the historical funding precedents set by DAA. Regional councils, with assistance from regional offices, prepare and return plans for distributing funds within their own region covering proposed, ongoing and new projects. These intra-regional allocations are expected to be made on the bases of regional plans initially due for completion in March 1993. At this stage guidelines may be given by the board to councillors concerning matters it wants them to 'consider' in preparing their final budgets (under sub-section 63(12)). On

the bases of 60 regional council budget plans and an accumulation of administrative advice, final estimates for the forthcoming financial year are prepared and submitted to the Minister for final approval (sections 61-5).

Many aspects of this budgetary process remain untested and hypothetical. For example, not all councils have prepared regional plans or have used them to prioritise and plan their budgets. Nor is it clear to what extent ATSIC's board and SACs formulate recommendations for distributing funds between councils and whether these are based on regional plans and priorities.

### **The program basis of the budget**

Within this complicated process of budgetary feedback, funding and financial accountability are essentially program-driven. ATSIC's own program structure is based on three major functional divisions: economic, social and corporate. These three areas are divided into a functionally-based set of 19 sub-programs, which have approximately 67 components, 112 sub-components and further subdivisions within these. Every program area has specific objectives, funding procedures and criteria. Each cost centre within the financial structure (cost centres such as six state and 29 regional offices, and 60 regional councils) has the potential to receive funds into these different program ledger accounts. Added to this monolithic program structure, the Act has imposed two major program funding categories: regional programs operating under regional council discretion and administered by regional offices, and national programs administered by the ATSIC Board of Commissioners and central office. However, it is ATSIC, not the Act, which specifies the relative division of funds to be allocated between these two broad program categories (Dillon 1992: 94).

The Act further specifies (under sub-section 97(5)) that a number of national funding areas referred to as 'Commission items' are excluded from regional council discretion. These include the Community Development Employment Projects (CDEP) scheme, state grants, ATSIC's administrative expenses, loan guarantees, housing loans and funds for the Commercial Development Corporation and portfolio organisations. In 1992-93, these statutory exclusions amounted to \$509.7 million, representing 59 per cent of ATSIC's budget of \$862 million (ATSIC 1992a: 14-15, 19).<sup>6</sup> After allocations are made to these areas, the remaining budget is potentially at the discretion of regional councils. However, ATSIC has also excluded from the regional program budget a series of programs that are said to be more 'appropriately conducted on a national basis' (ATSIC 1992a: 17).<sup>7</sup> Thus, it was decided that as well as

statutory-based exclusions, regional council program budgets for 1991-92 should exclude projects for which there were grant difficulties due to council boundary anomalies; funding for significant capital projects; and the balance of available funds (Taree Regional Council 1991: 9). In 1992-93, these national program exclusions totalled \$197.2 million, representing 22.8 per cent of the total budget. In total, statutory and ATSIC-initiated exclusions comprised \$706.9 million in 1992-93, representing 82 per cent of the total program budget. It is not clear how allocations for multi-regional projects will be determined relative to those for all other individual regions, nor on what basis funds for other national program and Commission items will be distributed between councils.

Once the board determines the funds to be allocated to Commission items listed in sub-section 97(5), and to any areas approved by the Minister for exclusion from regional council budgets, the amount remaining is available for allocation by councils. In 1992-93, regional councils will be responsible for allocating 18 per cent (\$155.3 million) of the total funds available to ATSIC. ATSIC has stated that it is aiming for a 'gradual transition to fully-fledged regional council allocations, involving a reduction in the number and amount of exclusions from regional council draft budgets over a period of time'. If the ATSIC-initiated exclusions and the discretionary budget were fully transferred to the regional program budget category, councils could potentially have been responsible for approximately 41 per cent of the total budget in 1992-93. However, to incorporate statutory exclusions would require legislative change (ATSIC 1992a: 8-10, 14, 27).

Allocations to regional council are directed according to a functionally-based program structure and council financial powers are circumscribed by budget procedures and board guidelines. Councils are required to first provide for any forward commitments when proposing budgetary allocations (ATSIC 1992a: 33). ATSIC's ability to establish guidelines for regional council budgetary decisions has already been evident. During the 1990-91 financial year, it notified councils that all new project bids be channelled into the Community Housing and Infrastructure Program (CHIP) funding area (Sydney Regional Council 1991: 47). Board guidelines for 1992-93 have been given to councils to maintain available capital funds intact. Hence, when councils wish to establish new projects requiring ongoing recurrent funding, they have been advised to do so by 'savings', or 'from new or additional funds' (ATSIC 1992a: 29). The extent to which councils will be able to save, or indeed obtain additional funds remains to be seen. No doubt, some will be more successful in this than others and for reasons as much dependent on different regional socioeconomic status and political astuteness, as on financial management. Councils can make variations of up to 10 per cent in the amounts allocated



to particular items within their approved estimates (sub-section 61.5), but are not able to increase total spending outside of their approved budget and cannot transfer allocations across programs. It is debatable whether regional council budgets will continue to reflect the same program categories or priorities as those established by the board and the bureaucracy. Also, given the growing financial demands placed upon limited regional council budgets, the sheer weight of socioeconomic need identified in regional plans, and the degree to which many indigenous communities find themselves using funds to substitute for state funding in essential service areas, ATSIC faces the risk that many councils will be faced with the overwhelming need to re-direct resources to recurrent expenditure.

ATSIC acknowledges that the most difficult area for decision is how to allocate available funds between regions (ATSIC 1992a: 27, 28). To date, however, in all of these complex legislative and budgetary procedures for distributing program funds, no formal mechanism has been established by which the mix of funds between regional and national program areas is decided, and importantly, by which funds are divided between regional councils. This represents an ongoing problem in ATSIC's strategies for achieving its social, economic and legal objectives. While the board, management and SACs rely on budgetary advice and objectives presented by regional councils, there is no mechanism in place by which this information is assessed in relation to the needs of all councils. The result is that in some cases, regional council budgets have been determined by SAC decisions to simply divide state allocations equally between all councils within each State, regardless of council population size, area, location or any other socioeconomic factor. The end-product is that some councils will be financially disadvantaged over others with respect to the level of funding received.<sup>8</sup> Whilst SACs have been told to avoid 'simply handing out funds evenly among Councils' and to base their distributive decisions on 'an assessment of needs and priorities of different Regions' ('Regional council matters', *The Regional Councillor*, January 1993), there are currently no established procedures for doing so. Nor is it certain that such an assessment of relative funding needs should be the responsibility of different SACs, as opposed to being assessed at the national level by the board to ensure an equitable distribution of funds. Clearly, ATSIC needs to develop a national policy framework and formal mechanisms to enable a uniformly assessed and equitable distribution of funds between States and importantly, between regions.

### **The role of regional plans in the budgetary process**

Under sub-section 94(1)(a) of the Act, regional councils are required to establish a 'plan for improving the economic, social and cultural status' of



Aboriginal residents in each region. In these plans councils are expected to identify local needs, aspirations and priorities, and propose development strategies for achieving improvements. There are many expectations attached to these plans. They are posed as being 'a significant step in Aboriginal and Torres Strait Islanders achieving self-determination and self-management' (ATSIC 1992b: 6, 1992a: 29, 1992c).

It is envisaged that regional plans will provide a 'fundamental tool' and 'a strategic basis for the allocation of ATSIC budgets' (ATSIC 1992a: 29). At the level of regional council jurisdiction, the plans are expected to establish the priorities for distributing ATSIC funds between local communities and organisations. But more ambitious uses are envisaged. Regional planning is also seen as potentially establishing bases for informing ATSIC policies, programs and budgetary decisions. A further objective is to use them to integrate the planning capacities and responsibilities of all government service providers and as the basis for allocating all government resources within each region (ATSIC 1992b: 6, 1992c: 3, 6). It is not clear how all these objectives will be achieved in practice.

Draft regional plans currently being produced by councils and their consultants reveal a number of common priority areas for development, such as health, employment, land, law and justice, housing and infrastructure (ATSIC 1993b). These local funding priorities will inevitably be reflected in regional budgetary bids. While regional plans are undoubtedly beginning to inform ATSIC on broad issues and priorities (ATSIC 1992b: 6), this currently occurs in an informal, ad hoc manner reminiscent of DAA's previous approach to determining allocations. It is not clear at the moment what weight funding priorities and requests for additional funds from one council have relative to others. There are no assessment mechanisms whereby the specific funding priorities and issues raised in the plans are given equal consideration in the financial decisions made at the board or State level. Neither is it clear how different priorities across regions are going to be linked to the broader allocation of all government resources without co-ordinating arrangements and funding assessment mechanisms being set in place.

While the role of regional planning is held out as a substantial development in indigenous financial self-determination, plans are not currently an essential element integrated into the budget process. Certainly, they provide no basis for the board, or SACs or regional councillors and chairpersons, to determine allocations between regions. If regional plans are to have wider budgeting and policy usefulness, this will only begin to develop when intra-regional funding priorities are linked to procedures for determining priority allocations between regions and

between broader program types. If regional plans are to be integrated into overall financial planning and funding decisions, regional councils will need to collate and update socioeconomic data highlighting their needs and areas of relative disadvantage. Mechanisms will need to be established for determining allocations between regions on the basis of such data, and a national policy framework will be needed to guide financial decisions.

### **Financial tensions at the regional council level**

ATSIC's regional councils are in a difficult situation. The role of councillors as financial mediators between ATSIC and local Aboriginal communities and organisations is yet to be fully realised, as is their political efficacy in competing for the financial attentions of other government agencies (Dillon 1992: 102). At the same time, councils are competing for funds and tensions are emerging as a result of the lack of policy direction in funding decisions. Important questions are being raised at the regional level about the manner and bases upon which program funds are allocated between councils.

In their annual reports, a number of councils have pointed to the particular difficulties, or disabilities, they face in regard to the costs of providing services and have called for a greater share of funds. The Wongi Regional Council (1991: 6) has argued that their region 'seems to be disadvantaged compared with other regions', pointing to homelessness, overcrowding in houses and related social problems. The Tasmanian Aboriginal Regional Council (1991: 11) claims that it is financially disadvantaged. The chairperson of the New South Wales Far West Regional Council (1991: 3) has stressed the budgetary disabilities created by the remoteness of the region, arguing that decisions made on the strength of urban-based, coastal populations do not take into account the higher costs the region faces. Obtaining additional ATSIC funds to offset these disadvantages is high on these councils' priorities.

Some councils point to specific factors which they feel should be taken into account in the inter-regional distribution of funds. In its inaugural annual report, the Western Desert Regional Council (1991: 5; see also Miwatj Regional Council 1992: 6) argued 'that consideration be given for funding amounts for the size of the region's population, and numbers of Aboriginal communities, and remoteness'. The Ngarda-Ngarli-Yarndu Council (1991: 15) in the Pilbara region called for ATSIC funding decisions to take population size and remoteness into account, and expressed concern with the level of funds allocated to the region under CHIP for the size of their communities, 'compared with other regional councils'. In a similar vein, the Sydney Regional Council (1991: 47)

complained that it fared badly under the allocation of monies via CHIP in relation to the size of their communities, arguing that 'as we are only one Regional Council out of 13 in this State, although having 30 per cent of the New South Wales Aboriginal population, the formula to distribute funds in this arbitrary manner virtually disenfranchises the largest Aboriginal community in Australia ...'. The Kaatanyiny Regional Council (1991: 10) in south-west Western Australia directly expressed its concern over what it called 'funding equity' in ATSIC and other government distribution of monies; and especially 'at the distribution of funds between regions'. Similarly, the South-East Queensland Indigenous Regional Council (1992: 3) recently argued that ATSIC's current 'funding formula ... greatly disadvantages the more densely populated regions'.

In fact ATSIC has no 'funding formula' and could be said to be in dire need, if not of a formula, then of a more consistent, uniform approach to assessing funding needs and determining the subsequent distribution between regional councils. There is a growing recognition at the regional level that differing social, demographic, economic and geographic characteristics will create different needs and service provision costs between councils. Calls for a more equitable distribution of ATSIC funds, on the bases of identified socioeconomic needs and service provision costs, will continue to be expressed.<sup>9</sup> They are likely to grow more vociferous and urgent in the face of regional competition for scarce resources, and as councils attempt to establish their role and influence with local Aboriginal organisations and communities.

### **ATSIC's current funding role: issues and implications**

ATSIC is currently endeavouring to establish budgetary procedures based on its representative organisation. At the same time it is locked into an historically-based, complex program structure. Neither the existing program structure, nor current distribution practice appear to be entirely suited to the challenges facing the new organisation. A number of issues and implications raised by the current absence of funding policy and mechanisms are considered below.

#### *The need for funding equity*

ATSIC's corporate plan presents its social and economic objectives in greater detail, as well as strategies and policies for their pursuit over the period 1992-96. The corporate plan provides strong direction to promote funding equity in its activities. The commitment asserted in the plan is to 'rigorously set priorities' in resource allocations. It is here that we find the improvement of indigenous social, economic and cultural status directly linked to ATSIC's role in negotiating 'an equitable distribution of financial and other resources to ensure the effective delivery of programs



and services that meet the needs of Aboriginal and Torres Strait Islander communities' (ATSIC 1992b: 6, 9). While this particular role is directed to ATSIC's relationships with Commonwealth, State and local governments, the important objective of achieving an 'equitable distribution' of resources obviously applies to its own budgetary process.

The approach ATSIC takes to allocating funds across program categories and between States and regional councils could provide an important means of furthering access and equity objectives; access, in terms of social justice objectives of ensuring access to essential services such as housing, health care and education, and equity, in the sense of achieving a 'fair distribution of economic resources' (Commonwealth of Australia 1992: 21). In this regard, ATSIC has a key role to play in establishing funding policies and mechanisms which meet national and regional indigenous priorities. A crucial consideration is the need to devise an approach which promotes equitable funding and access outcomes between regional councils, many of which display significant differences in socioeconomic status (Tesfaghiorghis 1991; Khalidi 1992; ATSIC 1992a: 60-3).

Financial tensions and variable levels of socioeconomic disadvantage operating at the regional level will not be completely resolved by establishing a more transparent, equitable method of distributing funds between councils. There will always be a shortfall of available funds to meet demands, and levels of indigenous disadvantage are high. Nevertheless, such tensions will be considerably lessened by an approach which takes relative levels of disadvantage into account. Areas of relative inequality between councils could also be most effectively targeted by funding mechanisms that emphasise long-term consistency in decision making and which promote an equitable distribution of ATSIC's available economic resources.

#### *Allocative efficiency and ATSIC funding*

The Commonwealth Treasury has argued, in respect of Commonwealth redistribution of revenues to the States, that in order to maximise allocative efficiency within the budget process and reduce costs, public sector services should be curtailed where costs exceed their value to users (see Northern Territory Government 1991: 72). Underlying this is the argument that particular distributions of population or resources that happen to exist between States, or locations within States, at any particular time should not necessarily be preserved if they negatively affect the efficiency of financial distribution.

The growing pressure for allocative efficiency in the Aboriginal affairs policy environment needs to be situated within the cultural, historical and economic particularities that have determined, and continue to determine, the spread of the population and service provision costs. The distribution



of the indigenous Australian populations has partly resulted from the historical intervention of government. But cultural imperatives are also at the bases of other population movements (such as the outstation movement) and will, no doubt, continue to reinforce the distribution of small groups in remote locations. It appears unlikely that Aboriginal people will relocate in significant numbers in order to follow services and employment (Taylor 1991).

ATSIC's funding policy and distribution should advocate allocative realism; valid cultural choices, as well as historical intervention, underlie the distribution of the indigenous population and these factors continue to have considerable impact on financial planning, funding priorities and service provision costs. Accordingly, the different social, demographic, geographic and other cost-related characteristics of regional populations are legitimate, indeed crucial factors for inclusion in ATSIC decisions concerning resource distribution.

### *Regionalisation*

There is considerable complexity in ATSIC's program and funding environment. The present program structure is too detailed and cumbersome, especially when compounded by the budgetary activities of 60 regional councils. It is also difficult to achieve an even and equitable distribution of funds on the basis of the current structure. The cultural heterogeneity of the Aboriginal population and variations in socioeconomic status within and between regions have always produced idiosyncratic versions of programs and services on the ground. The regionalisation of program initiatives and needs currently being expressed through the council structure will increasingly influence the functionally-based program structure.

As Dillon (1992: 102) points out, a 'geographic approach' to program formulation has a number of advantages over 'functionally-based programs' in an institution with such a strong regional basis. Indeed, the very nature of its regional organisation and the growing assertiveness of councils, makes a geographic regionalisation of the program structure inevitable. Such a geographic framework also appears to be more appropriate to its budget development process and to the 'clear intention' of the ATSIC legislation to maximise the amount of funds available for allocation by regional councils (ATSIC 1992a: 10). At the moment, an historically-established set of detailed program components and sub-components is being transferred onto a new and evolving regional representative system. A geographic approach to program formulation could usefully enable the overly complex functional program structure to be simplified. As regional councils and the communities within them progressively determine priorities in their service and funding needs, they will begin to negotiate service packages (see Australian National Audit

Office 1992: 18-9; Smith 1992: 24). As a consequence, the current functional basis to ATSIC's program structure may need to be simplified and program resources reoriented towards a narrower range of high priority activities at the regional level. Eventually there will be equally compelling reasons to monitor program outcomes at the regional level.

By implication, financial data collection and analysis will need to be progressively directed to the regional level. Mechanisms will need to be established for obtaining periodic information from regional councils on their local funding economies, economic priorities, service requirements and cost disabilities. Clearly, regional plans provide one such source of information, though there would need to be certain areas of standardised data available from all councils.

A program structure based on regional packages would greatly facilitate the attainment of horizontal equity in the delivery of ATSIC's programs. A geographic orientation to program formulation would also serve to align the program structure and budget development process with the strategic importance of the regional representative structure.

#### *Decentralisation*

Associated with the growing assertiveness of regional councils is the trend towards organisational decentralisation. The dynamic cultural and socioeconomic factors underlying service needs in Aboriginal affairs require innovative and often non-standard work from ATSIC administrative staff and elected representatives in both program and policy implementation. Funding and program requirements at the regional level are variable and often difficult to regulate by centralised rules and procedures (see Australian National Audit Office 1992). ATSIC will be subject to the same pressures for greater political and financial autonomy at the regional level as has been noted in other contemporary Aboriginal political institutions (Coombs 1984; Coombs et al. 1989; Tonkinson and Howard 1990).

The pressure towards decentralisation within ATSIC is most evident at the regional council level and especially with respect to financial responsibilities and decisions. A meeting of ATSIC commissioners and regional councillors also recommended that 'the Commission should embrace fully the concepts of devolution and decentralisation' (ATSIC 1991: 90). This intention accords with a growing regional vision of increased financial self-determination.

If it is to occur, financial decentralisation needs to be placed within an integrated policy framework based on practical procedures that link funding decisions made at the regional level with overall policy objectives established by the board, and that link national decisions about funding

distribution to regional priorities and relative needs. A more geographically-based program structure and a system of resource distribution based on regional equity should facilitate accountable decentralisation.

#### *A national funding policy*

The absence of a holistic, integrated approach is apparent at all levels of ATSIC's financial allocations. An evaluation of its administration of states' grants by its Office of Evaluation and Audit (OEA) was unable to identify a documented policy on the provision of grants to the States, reporting that allocations were essentially ad hoc (OEA 1991a). The OEA recommended that ATSIC develop a comprehensive national policy on state grants and their administration.

The lack of funding policy guidelines was also raised in the OEA (1991b) evaluation of ATSIC's community infrastructure program. The OEA (1991b: 75) reported that in some regional offices, funding decisions were often directed towards communities experiencing crises and argued that this occurred 'because guidelines and funding criteria do not exist'. As a consequence, decisions to fund projects were essentially 'subjective judgements by regional staff based on knowledge of local conditions' (OEA 1991b: 75). The audit warned that this ad hoc funding approach creates a potential source of intra-regional community tension when each community perceives its own needs as the highest priority and noted that problems are exacerbated when applied across regions in the context of competition for resources.

A key recommendation from the OEA report on infrastructure program funding was that ATSIC 'establish a framework which enables the identification and prioritisation of infrastructure needs on a national basis' (OEA 1991b: 1, 75). The review also recommended that the organisation and State governments should work to agreed priority schedules. Both of the above OEA audits emphasised that priority schedules should be based on data identifying areas of relative disadvantage between regions. ATSIC's ability to co-ordinate such schedules and achieve distributional equity are reliant upon the establishment of an effective national policy instrument.

The lack of such a funding policy is especially evident in respect to the distribution of financial resources between regional councils. As noted above, ATSIC's corporate plan broadly directs it to set priorities between regional needs and to ensure an equitable distribution of resources to meet them. Competition for resources between regional councils will be exacerbated by the lack of policy guidelines for inter-regional and interstate funding distribution. More is required than procedural guidelines for the mix of program funding. Not only does the level of



disadvantage in each region need to be assessed, but also relative disadvantage between regional councils, so that the total set of funding priorities can be evaluated. For this to occur mechanisms are required for making periodic comparative assessments of the socioeconomic status and financial assistance requirements of councils. Such assessment and distribution mechanisms need to be informed by policy which encourages long-term consistency and transparency in financial decision-making and which promotes a pattern of allocations that advance equitable outcomes.

## Conclusion

The co-ordination of ATSIC's own financial activities and the effectiveness of its regional structure cannot be examined in isolation from that of other government agencies delivering, in some cases, similar services. The need for rationalisation and co-ordination of State and Commonwealth service delivery at the regional level is increasingly being highlighted by regional councils (Arltarlpilta Regional Council 1992: 10; Impiyara Regional Council 1992).

ATSIC has a statutory co-ordinating role with respect to the activities of other Commonwealth bodies servicing indigenous Australians, and the board has approved the establishment of a multilateral government commitment to achieve improved outcomes in the delivery of programs and services to indigenous people (ATSIC 1993a: 25). At a meeting in December 1992 of the Council of Australian Governments, State and Commonwealth governments formally accepted their responsibility to maintain mainstream and special services. To be effective, such a commitment should be backed up by a strategic approach to funding distribution at the intergovernmental and interagency levels.

ATSIC (1993a: 26) has stated its intention to proceed with the negotiation of bilateral agreements with State governments aimed at improving co-ordination of services and at 'identifying funding arrangements'. These agreements potentially provide ATSIC with the opportunity to extend its own regional funding orientation and the policy platform of inter-regional distributive equity, as the key basis for co-ordinating all government service and program delivery to indigenous Australians. In the longer term, ATSIC funding policy and practices that focus on service needs identified in regional planning and that determine relative priorities of regional council populations could usefully inform allocations at the regional level by all agencies.



## Notes

1. ATSIC was established by the Australian Commonwealth Government under the *Aboriginal and Torres Strait Islander Commission Act 1989*, hereafter referred to as the Act. When this term is used, it means the entire organisation as a statutory authority.
2. Throughout this paper, the term 'Aboriginal' and 'indigenous' are used to refer to both Aboriginal and Torres Strait Islander people.
3. The Australian National Audit Office (ANAO 1992) has recently recommended a series of changes to clarify and strengthen the evolving 'partnership' between ATSIC's regional councils and administrative arm, and to increase the effective use of resources in the face of expanding workloads at the regional level.
4. Under the current review being conducted into the ATSIC Act, it is likely that some regional and zone boundaries will be redrawn, reducing the number of regional council areas by amalgamating some existing council jurisdictions.
5. Subsequent to the federal election in 1993 the Labor Government established an Office of Aboriginal and Torres Strait Islander Affairs within the Department of Prime Minister and Cabinet. The Office will provide advice to the Minister and have a policy advising capability to both the Minister and the Prime Minister (Keating 1993: 2). It is not clear how such policy advice will be co-ordinated with similar, legally-designated functions undertaken by ATSIC.
6. Of these statutory exclusions, funds allocated to the CDEP scheme above of \$234.6 million represented 46 per cent (ATSIC 1992a: 15).
7. These national program exclusions, initiated by Commission decision, comprise the National Aboriginal Health Strategy, the Royal Commission into Aboriginal Deaths in Custody, Community Training Program, multi-regional projects, as well as a number of other program areas to do with regional planning, heritage, arts and crafts, language, community awareness, recreation, women's issues, broadcasting, family support, and national program support costs (ATSIC 1992a: 17).
8. The Commonwealth Grants Commission (1993: 65) has also noted in its most recent review of grant relativities that there are 'quite wide disparities' in the broader aggregate allocations of ATSIC's funds between States and that they could not be assured that ATSIC's interstate distributions sufficiently reflect needs-based criteria compatible with the Grants Commission's principle of fiscal equalisation.
9. One can only assume that these calls will eventually be extended to include funding and services provided by government departments apart from ATSIC.

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