Yaran Business Services Pty Ltd

FINAL REPORT

Submitted to: **National Indigenous Australians Agency**

Low-Cost Essentials Subsidy Scheme

Post-Implementation Review

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June 2026

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Contents

The Yaran Business Services Group, its staff, and contractors respectfully acknowledge Australia's First Peoples, whose land we work on daily. All of Australia has been nurtured and cared for, including our seas, land, and air, by Australia’s First Peoples.

We recognise all Aboriginal and Torres Strait Islander peoples, who are the custodians of this place we now call Australia.

We honour the traditional custodians of the land, community, sea, and waters where we live and work. We pay our respects to Elders past, present, and emerging, and we value the contributions of Indigenous Australians to our society.

Executive Summary

This report presents an independent, Indigenous-led Post-Implementation Review (Review) of the Low-Cost Essentials Subsidy Scheme (the Scheme), prepared for the National Indigenous Australians Agency (NIAA). It provides an assessment of early Scheme delivery performance, with a focus on operational effectiveness, equity, governance and emerging risks.

Introduction and Purpose

The Scheme was established as a consumer benefit initiative to address persistent cost-of-living pressures and food insecurity in remote and very remote Indigenous communities. The Scheme improves access to affordable essential goods in remote communities by subsidising a defined basket of 30 food and household products. Through a centrally coordinated delivery model, it aims to reduce retail prices in participating stores to levels comparable to those of major supermarkets and to contribute to improved health outcomes.

Key elements of the Scheme include:

- A defined basket of essential goods supported by an Intended Maximum Price (IMP).
- A centralised procurement, warehousing and distribution model, operated by a single delivery partner. Outback Stores Pty Ltd (Outback Stores), a Commonwealth-owned, not-for-profit entity, was selected for this role.
- Store participation is governed by the National Code of Practice for Remote Store Operations (the Code), which sets minimum standards for health, operations and governance.
- The provision of support to participating stores to assist with meeting these requirements.

The Scheme's operating model has enabled rapid implementation and achieved early affordability outcomes but introduces structural complexity that underpins many of the challenges identified in this Review. Uptake has exceeded original expectations, accelerating the transition from implementation to scale that has enabled operational efficiencies.

Several key issues reflect inherent trade-offs between speed of rollout and governance maturity, consistency and flexibility, and efficiency and market resilience.

The Review considered five domains, namely Scheme design and development; Scheme implementation; Performance and risk management; Financial oversight and transparency; and Scheme provider performance.

The Review draws on quantitative data, qualitative stakeholder engagement, and document analysis to provide evidence-based recommendations as the Scheme transitions to business-as-usual operation.

It is important to note that the Review was undertaken during a period of ongoing Scheme improvement, and NIAA implemented several changes during the Review to address emerging issues. As a result, some initial findings were already partially addressed by the time the Review was completed. In addition, much of the stakeholder consultation was undertaken prior to these changes being announced and implemented, and therefore reflects perspectives formed under earlier operating arrangements. The findings and recommendations should be interpreted in this context, recognising both the progress already made and the need to consolidate and embed recent improvements as the Scheme matures.

Key achievements

Community Benefits

- Tangible benefits are evident across participating communities, supported by strong consumer uptake and positive feedback from store managers and local stakeholders, with some stores also using health-aligned retail practices to influence the purchasing of healthy food choices.
- The introduction of both the Scheme and the Code have been recognised as early actions under the National Strategy for Food Security in Remote Aboriginal and Torres Strait Islander Communities.

Rapid mobilisation and early impact

- The operating model was quickly established in a complex operating environment.
- Centralised procurement delivered consistent, immediate price relief on essential products in participating stores.

Operational efficiency and governance foundations

- The centralised (Adelaide) warehouse became fully operational in early 2026 and assisted Outback Stores to meet core Key Performance Indicators (KPIs) across a large, dispersed store network.
- Targeted subsidies and price controls produced consistent pricing, underpinned by clear governance architecture and funding agreements, providing a strong foundation for further strengthening as the Scheme matures.

Key challenges

Domain 1 – Scheme design and development: Objective tension and product settings

- The Scheme's multi-objective design and operating model creates inherent tensions between affordability, health outcomes and market sustainability.
- As the Scheme matures, there is a clear opportunity to strengthen settings to support equity, sustainability and effective oversight, including enhancements to governance, monitoring and financial management arrangements.
- The current product list supports cost-of-living relief but remains limited in scope, with gaps in fresh produce, protein and culturally appropriate products. Recent initiatives, including Federal funding for cold and frozen storage capability at the Adelaide warehouse, creates potential to adjust the make-up of the 30 products within the range. However, the extent and timing of any changes remain uncertain, and there are emerging risks to product range, supplier diversity and consumer choice.

Domain 2 – Scheme implementation: Participation inequity and administrative burden

- Participation is strongly skewed towards centrally managed store networks, with independent locally managed stores facing barriers related to onboarding complexity, compliance requirements, disagreement with aspects of the Scheme design and limited capability. While recent initiatives aim to increase support for independent stores, these have not yet been reflected in current participation patterns.
- Uptake patterns indicate that participation is driven more by administrative capacity than community need, creating a structural equity gap.

Domain 3 – Performance and risk management: Variability in outcomes and immature risk settings

- Scheme performance varies across store types and locations, influenced by baseline margins, store capability, management buy-in and the extent to which savings are retained through higher-margin purchases. The assessment of such impacts was outside of the scope of this Review.
- Risk management frameworks are in place but are not mature, with variability in monitoring and governance practices and limited visibility of emerging risks.

Domain 4 – Financial oversight and transparency: Cost escalation and limited visibility

- Scheme expenditure has increased above initial forecasts, driven by both cost pressures (particularly freight and subsidy components) and quicker than expected Scheme uptake.
- Early stages of the Review were constrained by delays in the provision of financial information and limited detail and granularity in reporting, reducing transparency of cost drivers and constraining effective financial oversight by governance groups.
- Financial oversight arrangements are being strengthened, including improved budget reporting, the engagement of an Independent Financial Adviser, but further work is required to embed timely, detailed and integrated financial reporting and forecasting. The financial sustainability of the Scheme has been addressed by additional Commonwealth funding to meet the demand to participate in the Scheme.

Domain 5 – Scheme provider performance: Concentration of delivery and oversight challenges

- The centralised delivery model through a single provider has enabled rapid rollout and operational stability but has also increased market concentration and dependency risks for remote stores.
- Visibility of provider performance is constrained by high-level, rather than more detailed, reporting by the provider.
- Governance settings require strengthening to support independent oversight and accountability.
- While forward funding and budget development processes are now being progressed, continued refinement is required to ensure the Scheme's financial sustainability.

Cross-cutting – Supply chain vulnerability and freight

- Freight costs remain the primary driver of pricing. The centralised procurement and distribution model supports efficiency, consistency and simplified operations, but concentrates risk through reliance on a single (Adelaide) warehouse.
- A central hub creates a potential single point of failure, where disruption at the central hub could affect supply continuity across remote locations.
- Extended, multi-leg freight routes, particularly to Far North Queensland, increase exposure to weather-related disruption and contribute to variability in delivery times.

Recommendations

Set out below are the key recommendations arising from the Review, aligned to the five Domains and cross-cutting priorities. The recommendations are designed to support the Scheme's transition from rapid implementation to a more mature, business-as-usual operating model.

The recommendations reflect both the initial findings of the Review and developments that occurred during the Review period, including strengthened financial oversight, additional Commonwealth funding, expanded participation settings and enhancements to governance arrangements. These changes represent material progress in addressing early challenges associated with rapid uptake and scale.

In this context, the recommendations are framed to:

- Build on improvements already initiated during the Review period.
- Address remaining structural gaps in design, implementation, data, governance and funding.
- Support the continued maturation of the Scheme.

The focus of the recommendations are not to redesign the Scheme, but to embed, scale and integrate improvements already underway to support sustainable, effective and equitable delivery. Implementation of these recommendations should be sequenced, with priority given to actions already underway, and supported by a clear allocation of responsibility across NIAA, the delivery partner and other stakeholders.

The contract requires the provision of findings and costed recommendations. However, the Review team does not have access to sufficient data to provide reliable cost estimates. Accordingly, the Review identifies the relative resource intensity of recommendations rather than quantified costs.

<u>Part 3 - Findings, implications and areas for improvement</u> includes additional detail and context for each Recommendation shown against each Domain.

Recommendation 1 – Refine product settings through structured review

(Domain 1 – Scheme design and development)

Review the subsidised product range to balance affordability, health outcomes and community needs, including:

- The potential to include 'cold' products and assessment of options to incorporate cold chain capability.
- Undertaking staged or trial-based product changes, assessing supply chain and cost impacts.
- Embedding stakeholder and community input into product selection.

Priority and resources: Ongoing initiative, high priority. Policy-led, with potential additional costs subject to product expansion decisions.

Recommendation 2 – Clarify Scheme objectives and decision framework

(Domain 1 – Scheme design and development)

Clarify and communicate the inter-relationship between the affordability, food security and health outcomes objectives to guide decision-making, performance measurement and stakeholder expectations, including:

- Strengthening communication of objective trade-offs.
- Aligning performance measures to these objectives.
- Establishing structured stakeholder input (including advisory mechanisms) to inform ongoing Scheme refinement.

Priority and resources: Ongoing initiative, medium priority. Primarily policy and program management effort.

Recommendation 3 – Strengthen equitable participation and implementation

(Domain 2 – Scheme implementation)

Increase participation by independent stores through simplifying processes, including:

- Implementing targeted onboarding and engagement support.
- Explaining the factors around conditional participation pathways.
- Coordinating with State and Territory programs to explain program interactions.

Priority and resources: Short-term, high priority. Resource-intensive initially, before transitioning to business-as-usual.

Recommendation 4 – Strengthen performance, risk and financial oversight

(Domain 3 – Performance and risk management; Domain 4 – Financial oversight and transparency)

Implement an integrated performance, risk and financial management framework, by:

- Establishing a Scheme-wide monitoring system with timely, detailed data.
- Embedding risk management into governance processes.
- Strengthening reporting granularity and timeliness (including assessing the impact of the Scheme at store level).
- Integrating financial, operational and compliance data to support proactive decision-making and value-for-money assessment.

Priority and resources: Short-term, high priority. Initial investment required to establish integrated systems and reporting; ongoing effort becomes business-as-usual.

Recommendation 5 – Consolidate funding and policy responses

(Domain 2 – Scheme implementation; Domain 4 – Financial oversight and transparency)

Ensure recent funding and policy measures are effectively implemented, monitored and evaluated, by:

- Embedding forward budgeting and scenario planning.
- Strengthening analysis of cost drivers.
- Implementing monitoring of new funding measures (including independent store support and cold chain investment).
- Ensuring governance groups have access to timely, decision-ready financial data.

Priority and resources: Short-term, high priority. Monitoring and evaluation effort aligned to existing initiatives.

Recommendation 6 – Strengthen oversight of delivery arrangements and market impacts

(Domain 5 – Scheme provider performance)

Enhance oversight of the delivery model, by:

- Establishing clearer performance expectations and measure service levels.
- Improving reporting detail and timeliness.
- Strengthening independent assurance (including financial review).
- Monitoring market and competition impacts.
- Maintaining active engagement with industry stakeholders.

Priority and resources: Short-term, high priority. Governance and analytical effort.

Recommendation 7 – Embed continuous improvement and independent assurance

(Cross-cutting; Domain 3 – Performance and risk management)

Establish structured mechanisms for continuous improvement, by:

- Implementing feedback loops for unintended consequences.
- Embedding periodic independent reviews of performance and governance.
- Build store manager capability through training and on-line support.
- Investing in data collection across all Scheme objectives (including baseline data and metrics) to support on-going monitoring and evaluation.
- Ensuring findings are systematically incorporated into policy and operational updates.

Priority and resources: Medium-term, high priority. Ongoing governance and evaluation effort.

Recommendation 8 – Strengthen supply chain resilience

(Cross-cutting)

Undertake an assessment of supply chain risks and mitigation options, including:

- Scenario testing by identifying and prioritising key risks and assessing options (such as buffer stock, regional storage and freight diversification).
- Building on the decision to invest in the cold products supply chain.
- Strengthening contingency planning for disruption across both Scheme-specific and broader remote supply chain risks.

Priority and resources: Medium-term, high priority. Initial feasibility study required; implementation subject to outcomes and funding.

Having established strong early foundations, the Scheme's priorities are now to strengthen supply chain resilience, manage market concentration, align with health objectives, close participation and equity gaps, and reinforce governance.

These actions will help ensure the Scheme remains responsive, inclusive and effective in meeting its objectives.

Part 1. Introduction and context

This Part sets out the background, policy context, Scheme architecture, and Review methodology, establishing the foundation for the assessment and situating the Scheme within broader food security and governance frameworks.

Introduction

The Scheme and the Code commenced on 1 July 2025.

Through the Scheme, the Australian Government has committed to reducing the costs of 30 everyday essential products to prices aligned to the prices in major Darwin supermarkets, in stores that service remote Indigenous communities. The original 152-store cap to access the Scheme will be removed from 1 July 2026 allowing all eligible stores to apply (approx. 225 stores). The Scheme also aims to improve health outcomes.

The NIAA has engaged the not-for-profit Commonwealth-owned company Outback Stores to deliver the Scheme. Outback Stores is a public corporate entity focused on social outcomes.

To access the Scheme, an applicant (remote store) must demonstrate they are committed to delivering at least a minimum level of service for their communities. This is demonstrated through registration under the Code. The Code is a non-prescribed, voluntary code that sets out governance, operations and health standards for remote stores. Stores do not need to meet all the Code standards immediately. They can be conditionally registered to access the Scheme while working towards meeting the Code standards over time.

To deliver the Scheme, Outback Stores sources the essential products from manufacturers and wholesalers and uses freight companies to deliver the products to remote participating stores. Stores receive the products at a subsidised price including freight. Stores are then required to sell the products at or below the IMP.

Purpose of the review

This Review, undertaken by Yaran Business Services (Yaran), is responding to the NIAA's commitment to conduct a review of the first 3 months of the Scheme operations.

Review scope

Noting that the Scheme has only been operative since July 2025, this Review was intended to focus on the first 3 months of implementation, examining early performance, governance and risk settings, financial oversight, and Scheme provider delivery. The timing of the Review also enabled consideration of additional data through to April 2026 to test early findings and emerging trends and to inform opportunities to strengthen delivery.

The Review does not assess long-term health, wellbeing or population-level outcomes, rather, it examines whether the Scheme has been implemented as intended; the effectiveness of governance, delivery and administrative arrangements; early evidence on affordability, access and operational impacts; and emerging risks, unintended consequences and areas requiring refinement.

We have considered the Scheme lifecycle as comprising four phases, as illustrated below:

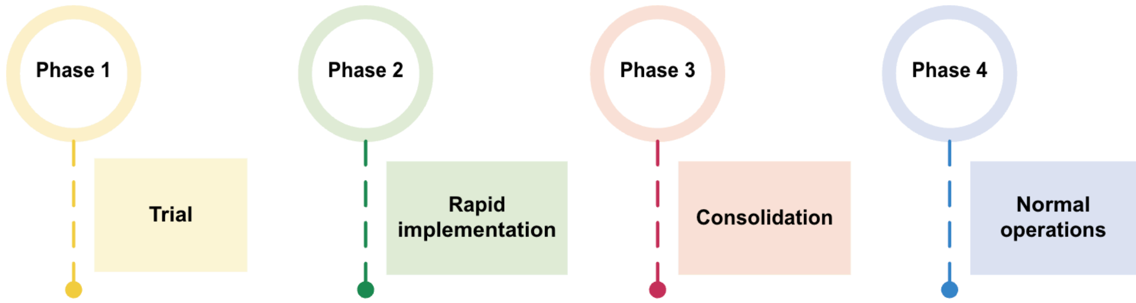


Figure 1 – Illustration of Scheme Lifecycle

This Review occurs early in the Scheme's lifecycle (between Phase 2 and Phase 3), with systems, reporting and governance arrangements still maturing. Findings should therefore be interpreted as indicative of early performance and emerging issues, rather than conclusive assessments of long-term effectiveness.

The Review addresses a defined set of questions across five domains, namely: Scheme design and development; Scheme implementation; Performance and risk management; Financial oversight and transparency; and Scheme provider performance. The Review provides an evidence-base to test key assumptions underpinning the Scheme Design, assess early alignment with policy intent, and inform the Scheme's transition from initial implementation to stable, business-as-usual operation.

Out of Scope

- Impact review, such as the Scheme impact on health or family budgets.
- Assessing the performance of participating vs non-participating stores.
- Other food security matters unrelated to Scheme delivery, for example other freight subsidy models, community gardens or place-based initiatives.

Policy Context

Food and essential goods in remote Indigenous communities are persistently and materially more expensive than in urban centres. Food insecurity is widely recognised as a key social determinant of health, with strong links to chronic disease, reduced wellbeing and poorer life outcomes.

The 2020 HORSCIA Report[1] (House of Representatives Standing Committee on Indigenous Affairs) found that high prices in remote stores reflect the genuinely higher costs and challenging operating environments of remote retail, including long freight distances, high maintenance and repair costs, and limited economies of scale. When combined with comparatively lower household incomes, these factors contribute to acute cost-of-living pressures and ongoing food insecurity for many Indigenous people living in remote Australia.

The National Strategy for Food Security in Remote Aboriginal and Torres Strait Islander Communities 2025 to 2035 (The Strategy), was developed to establish a long-term, systems-based framework for addressing food insecurity. The Strategy responds to recommendation 10 of the HORSCIA Report and was developed in partnership between State

[1] **Report on food pricing and food security in remote Indigenous communities https://www.aph.gov.au/Parliamentary_Business/Committees/House/Former_Committees/Indigenous_Affairs/Foodpricing/Report**

and Territory Governments, Aboriginal Community Controlled Health Organisations (ACCHOs) and Indigenous community representatives. The Strategy identifies seven pillars of food security which reflect advice from, and experiences of, remote Indigenous communities.

The Scheme is an early action under The Strategy and contributes most directly to the "Remote Retail", "Supply Chains" and "Healthy Economies" pillars, while also supporting broader objectives relating to affordability, resilience and equity. Importantly, the Scheme aligns with the Strategy's balanced approach across seven interconnected pillars of food security. Within this framework, the Scheme provides practical support to help alleviate cost-of-living pressures while complementing longer-term efforts to strengthen infrastructure, economic participation and community-led food systems.

The Scheme also supports the National Agreement on Closing the Gap, contributing to progress against Outcomes 1, 2, 4 and 14.

Scheme architecture and key roles

Overview of The Scheme

The Scheme is a Commonwealth initiative designed to reduce the cost of a defined basket of essential food and grocery products in participating remote Indigenous community stores. It addresses structural cost drivers, particularly freight and limited purchasing power, while supporting continued access to affordable, nutritious food and household essentials for consumers. As a targeted policy intervention, the Scheme also contributes to broader objectives, including improved food security, better health outcomes, and the sustainability and standards of remote community stores.

The Scheme operates through a combination of interrelated components:

- A subsidised basket of essential goods, comprising 30 products, designed to improve affordability (represented by approximately 63 Stock Keeping Units (SKUs), noting that depending on the variety within each product the number of SKU's may change).
- A centralised wholesale and freight delivery model administered by Outback Stores.
- The Code, which establishes minimum governance, operational and health standards and is a requirement for Scheme participation.
- Supporting initiatives, including the Monash University Healthy Stores Project (Healthy Stores Project), which provide capability and nutrition support to participating stores; and the Office of the Registrar of Indigenous Corporations (ORIC) governance training.

The Scheme is therefore not a standalone subsidy mechanism, but part of a broader reform package intended to address structural drivers of high food prices and food insecurity in remote communities.

The key roles in the Scheme can be illustrated as follows:

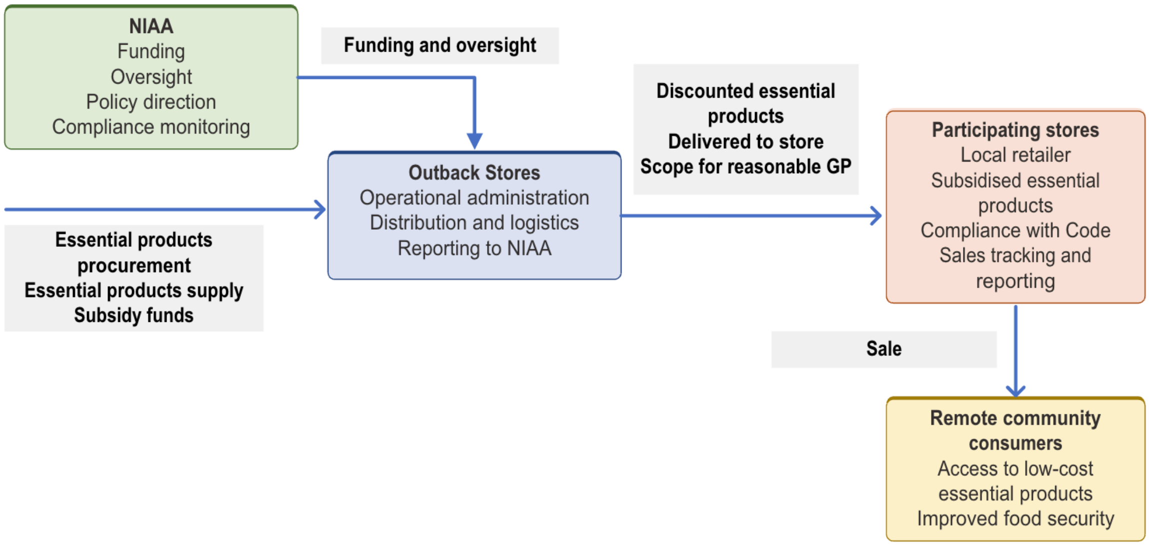


Figure 2 – Illustration of key roles in the Scheme

Relationship between the Scheme and the Code

The Scheme is explicitly linked to the Code, which sets minimum governance, operational and health standards. This linkage is intended to ensure subsidised pricing occurs within stores that meet baseline expectations for transparency, community input and health-supportive retail practices.

Role of NIAA

NIAA performs a central role in the design, governance and administration of both the Scheme and the Code, spanning funding, oversight, policy direction and compliance monitoring. It is responsible for establishing funding arrangements, setting budget parameters and monitoring expenditure, including responding to demand growth and cost pressures as the Scheme expands.

Through established governance forums, NIAA provides oversight of delivery performance, financial position and emerging risks, and ensures alignment with policy objectives. This includes setting Scheme parameters and maintaining the Code as the framework governing store participation. Recent enhancements to oversight, including the introduction of independent financial assurance, reflect a shift toward more structured and analytically robust governance.

NIAA also undertakes compliance monitoring across the Scheme and the Code, ensuring adherence to eligibility, pricing and operational requirements. Together, these functions position NIAA as the system steward of the Scheme, responsible for ensuring that funding, policy, delivery and compliance operate cohesively, with recent improvements strengthening its capacity to perform this role as the Scheme scales.

Role of Outback Stores

Outback Stores is the Scheme's delivery partner, responsible for operational administration, procurement of subsidised products, wholesale and freight arrangements, and reporting to the NIAA. As a government entity, Outback Stores is subject to public sector accountability, audit and compliance requirements, including adherence to relevant Commonwealth financial management frameworks, procurement principles, record-keeping obligations and external audit by the Australian National Audit Office, which provides additional assurance over the use of public funds and Scheme administration. As a registered not-for-profit organisation, Outback

Stores operates on a cost-recovery basis, reinvesting any surplus into service delivery rather than profit distribution. Outback Stores is not classified as a Government Business Enterprise.

Outback Stores' purpose statement is "*To be a sustainable business that makes a positive difference in the health, employment and economy of remote Indigenous communities by improving food affordability and availability, nutrition and community services*".

In addition to its Scheme wholesale role, Outback Stores operates 54 remote community stores across Australia[2].

Remote stores

The Scheme operates across a geographically dispersed network of remote community stores servicing Indigenous communities with limited or no alternative retail options. There are approximately 225 stores that are eligible for the Scheme. Eligible stores vary significantly in size, infrastructure, supply frequency, ownership model and operating model (centrally managed or independently managed). Store diversity has implications for consistency of implementation and outcomes.

Interaction with State-based subsidy and health schemes

The Scheme operates alongside State and Territory initiatives, including the licencing framework of the Northern Territory Remote Stores Program, Point-of-Sale (POS) freight subsidies (Queensland) and nutrition programs, which vary in scope and design. These interactions can be complementary but also create complexity for stores operating across multiple policy frameworks.

Overview of the Review methodology

The Review applied a mixed-methods approach drawing on multiple sources of evidence:

- Quantitative analysis of budgets, transactional data and store uptake data across all participating jurisdictions.
- Desktop review of more than 80 documents provided by NIAA including funding agreements, policy documents, operational guidelines and research.
- Qualitative stakeholder engagement.

Stakeholder engagement comprised:

Stakeholder interviews

A range of face-to-face and virtual stakeholder interviews were conducted as follows:

- Head Office – Outback Stores
- Head Office – Corporates (ALPA, CEQ)
- Independent wholesale and distributor sector representatives (TAH Trading, Desert Distributors, Independent Food Distributors of Australia)
- Government (Health and Wellbeing Queensland, Department of Transport and Main Roads Queensland, NT Health, Australian Small Business and Family Enterprise Ombudsman)
- Academics with a strong interest in public health nutrition in remote settings (Monash University, University of Queensland)
- NIAA officials.

[2] **Source: Outback Stores 2025 Annual Report - https://outbackstores.com.au/annual-reports/**

Remote store interviews and site visits

Numerous interviews were conducted across participating and non-participating stores. Our preference was to conduct site visits, although several remote stores (or their representatives) were engaged via phone. In summary we engaged with remote stores as follows:

Method of engagement with remote stores	Number
Site visit and interviewed store management	15 participating stores
Site visit but did not interview store management (unavailable)	1 participating store
Site visit but did not interview store management (unavailable)	1 non-participating store
Site visit and interviewed store management	1 ineligible store
Met in person, but not at remote store location	4 participating stores
Met in person, but not at remote store location	4 non-participating stores
Phone interview only	3 non-participating stores
Total engagements	**20 participating stores** **8 non-participating stores** **1 ineligible store**

Written Submissions

Eleven written submissions were received and systematically analysed to assess systemic frictions, competitive neutrality, and alignment with the Closing the Gap framework. Submitting organisations included:

- Regulators and policy advocates - Australian Competition and Consumer Commission (ACCC), Australian Small Business and Family Enterprise Ombudsman, CHOICE
- Aboriginal Community Controlled Health Organisations - National Aboriginal Community Controlled Health Organisation, Miwatj Health Aboriginal Corporation, Central Land Council, Aboriginal Medical Services Alliance Northern Territory
- Wholesale and logistics sector - TAH Wholesale, Desert Distributors
- Frontline advocates - Bush Money Mob, Foodbank SA & NT.

"Have Your Say" Surveys

Twenty-five responses were provided through an online survey available on the NIAA website and emailed to remote store operators and other stakeholders. For analysis, the Survey questions were grouped into five thematic clusters:

- information and understanding of the Scheme
- the Code
- the Outback Stores delivery partnership
- subsidised products and affordability impact
- barriers and suggestions for improvement.

Analytical Approach

Where sufficient data exists, findings were derived from triangulated evidence - quantitative data cross-checked against qualitative insights and governance records. Where data gaps or inconsistencies exist, findings focus on directional risks and improvement priorities rather than definitive performance assessments. The analysis distinguishes consistently between centrally managed and independent store types, recognising material differences in capability, administrative burden, and structural support.

Caveats and limitations

Limitation	Description
Early Scheme maturity	At the time of the Review, the Scheme has been operational for less than one year. Longitudinal and stable performance data are limited, restricting the depth of outcome assessment.
Positioning within the Scheme lifecycle and ongoing change	The Review was undertaken during a transition from rapid implementation to early scale. Governance, reporting and operational arrangements were still maturing, and some findings reflect earlier operating settings that have subsequently evolved.
Data quality and availability	Financial, operational and store-level data were not consistently available at the level of detail required for comprehensive analysis. Variations in reporting, aggregation and timing limited visibility of performance, cost drivers and comparisons.
Limitations in financial modelling and assumptions	Detailed underlying financial models were not available for review. Early modelling was based on materially lower uptake assumptions than realised, limiting the reliability of certain analytical approaches, including per-store cost comparisons.
Response bias	All stakeholder engagement (interviews, submissions, surveys) was voluntary. This may skew representation toward stakeholders with stronger interests, concerns or greater organisational capacity to engage.
Evidence of unintended consequences and market impact	Assessment of unintended consequences and market impacts relies heavily on stakeholder intelligence. Limited data availability constrained the ability to substantiate some risks within the scope of the Review. For example: there was much discussion about the impact of the Scheme on independent wholesalers but no quantitative data was forthcoming, despite numerous requests.

Implications for interpretation

Importantly, data limitations are themselves a material finding, highlighting the need to strengthen reporting, monitoring and assurance arrangements as the Scheme transitions from rapid implementation to consolidation and business-as-usual operations.

Findings and recommendations should therefore be interpreted as indicative of early performance and emerging trends rather than definitive assessments of long-term effectiveness. Caution should be applied where conclusions rely on incomplete data, evolving operating arrangements or stakeholder perceptions that could not be independently validated.

Part 2. Cross-cutting analysis and key matters

This Part identifies the system-level dynamics shaping Scheme performance. It does not restate detailed findings from the Domain sections, rather, it highlights how key features of the Scheme interact and where these interactions create risks, trade-offs, or constraints as the Scheme transitions to a more mature operating model.

The issues outlined below are interconnected and should be considered collectively in guiding the next phase of Scheme development.

Design trade-offs and Scheme complexity

The Scheme is operating as a multi-objective rapid response, simultaneously pursuing affordability, food security, health outcomes, and improved store standards. While this integrated approach is a strength, it introduces inherent complexity that influences performance across all domains. This complexity contributes to variability in outcomes and creates challenges for monitoring, performance assessment and governance.

The Scheme reflects a set of inherent design trade-offs to support rapid mobilisation and broad coverage but continue to shape performance as the Scheme matures. In particular:

Speed of implementation versus governance maturity

Early emphasis on rapid rollout delivered immediate consumer benefits, but resulted in governance, monitoring and reporting arrangements that are not yet fully aligned to the Scheme's scale and complexity.

Simplicity and national consistency versus flexibility and consumer choice

Nationally consistent settings support clarity and administrative efficiency, but reduce local flexibility which, over time, could influence product availability and consumer choice.

Broad eligibility settings versus proportionality for smaller operators

Uniform onboarding, compliance and reporting requirements supports integrity and transparency. However, these settings create relatively higher barriers for smaller and independent stores.

Centralised efficiency versus resilience and market dynamics

Having a centralised procurement and distribution model enables cost efficiencies and consistent pricing outcomes. However, it concentrates operational and market risk, with implications for supply chain resilience, competition and long-term sector sustainability.

These trade-offs are not unintended consequences, but structural features of the Scheme's design. Recognising this is important in interpreting the findings that follow. As the Scheme matures, the policy challenge is to recalibrate settings so that these trade-offs are managed deliberately, rather than being an implicit consequence of early design choices.

Main Domains impacted – Domain 1 (Design) and Domain 3 (Performance)

Linked Recommendations – Recommendation 1 (Refine product settings) and Recommendation 2 (Clarify Scheme objectives)

Supply chain risks associated with a central warehouse

The Scheme's delivery model is highly centralised, with procurement, warehousing and distribution coordinated through a single warehouse and provider. This has delivered clear benefits in terms of pricing consistency, purchasing power and operational coordination. The warehouse in Adelaide was selected for its access to multiple in-bound and out-bound freight routes.

However, at a system level, this centralised model introduces two related risks:

- Concentration risk, through the reliance on a single delivery pathway (both operationally and geographically)
- Supply chain disruption risk, arising from exposure to external factors such as weather events, freight constraints and infrastructure failures that may affect delivery to remote communities.

These risks are not indicative of failure in the current model. Rather they are inherent characteristics in servicing remote locations across long distances and challenging operating environments.

As the Scheme expands, the potential impact of disruption increases, making supply chain resilience progressively more important. Maintaining the benefits of centralisation while strengthening resilience will require targeted mitigation measures, such as contingency arrangements, alternative supply pathways, diversification options and other risk-management strategies.

However, these measures are likely to involve additional cost and operational complexity. Any assessment of resilience options will therefore need to balance the benefits of reduced supply chain risk against the cost of implementation and the potential impact on the efficiencies currently achieved through the centralised delivery model.

Main Domains impacted – Domain 1 (Design) and Domain 4 (Financial)

Linked Recommendations – Recommendation 8 (Strengthen supply chain resilience)

Provider role, market dynamics and concentration

Outback Stores has evolved to hold a dominant operational and market position, providing store management services to 54 remote store retail outlets (June 2025) and supplying subsidised goods to over 120 community stores. The Scheme's design has structurally embedded Outback Stores, creating high dependency and elevating concentration and systemic risk.

Separate to the Scheme, Outback Stores also functions as a "provider of last resort" by stepping in to manage remote community stores that are at critical risk of financial collapse, physical closure, or severe management failure. This type of intervention usually happens with NIAA oversight.

Outback Stores' scale and involvement have delivered clear operational benefits (purchasing power, negotiating leverage, and rapid mobilisation) however it also alters competitive dynamics. The ACCC and stakeholders have flagged risks associated with the single-provider model, including reduced contestability and impacts on independent wholesalers.

Outback Stores' wholesale position to stores that are not managed by Outback Stores (which are ring-fenced) did not exist prior to the Scheme, and its influence over Scheme direction is a key governance risk. Delays in financial data provision and highly aggregated disclosures have limited NIAA's ability to exercise independent informed stewardship.

Outback Stores' market share can grow both through "last-resort" interventions under NIAA oversight and through viable stores independently engaging Outback Stores for fee-for-service management. This dual pathway creates a mechanism for continued expansion across both distressed and commercially viable stores, increasing the risk of market concentration over time.

This dynamic does not diminish the operational benefits delivered by the current model, but highlights the importance of maintaining clear oversight, transparency and monitoring of market impacts to ensure consumer benefits are sustained without unintended distortion of the sector.

Various options exist to manage this market-concentration risk while preserving delivery stability, including:

- Periodic independent financial reviews to provide NIAA with assurance over Outback Stores' wholesale pricing, cost recovery and margin settings, and to improve transparency where internal reporting has been delayed or limited. Independent review would support informed decision-making without undermining operational autonomy.
- Clear Service-Level Agreements (SLAs) to set explicit expectations around performance, reporting timeliness, transparency and separation of roles.
- Routine monitoring of market and pricing impacts to assess effects on contestability, independent wholesalers and store operators, supported by clearly defined thresholds for what constitutes an unacceptable impact relative to community benefit. This would be underpinned by agreed evidence requirements to inform timely and proportionate intervention, including identification of unintended consequences arising from the Scheme's wholesale role.
- Provider-of-last-resort interventions could be subject to a critical assessment of all viable options (for example, CEQ, ALPA or adjacent independent stores) before Outback Stores assumes management of additional remote stores, to avoid unnecessary consolidation of market share while still protecting community access to essential services.
- Structured engagement with industry and other providers through formal advisory forums, targeted consultation and ongoing engagement, supported by clear feedback loops and reporting on actions taken. This approach would maintain visibility of alternative supply models, support informed monitoring of market impacts, reinforce sector confidence and reduce the risk of long-term dependency on a single delivery partner.
- Referral to the ACCC should remain an option where monitoring identifies material competition concerns that cannot be addressed through administrative or contractual mechanisms.

Main Domains impacted – Domain 5 (Provider performance) **Linked Recommendations – Recommendation 6 (Strengthen oversight of delivery arrangements and market impacts)**

Governance, reporting and assurance

Governance arrangements for the Scheme are established and have evolved as the Scheme has grown. As implementation has transitioned from rapid rollout to a larger-scale operating environment, the effectiveness of governance increasingly depends on the quality, timeliness and integration of information available to decision-makers.

The Review identified governance, reporting and assurance as interconnected capabilities that must mature alongside the Scheme. In particular, the ability to identify emerging risks, understand performance trends and monitor financial sustainability relies on reporting that is sufficiently detailed, timely and integrated to support proactive decision-making.

Enhancements introduced during the Review period, including independent financial oversight, represent positive progress. However, continued focus will be required to ensure governance arrangements remain aligned to the scale, complexity and future growth of the Scheme.

Main Domains impacted – Domain 3 (Performance) and Domain 5 (Provider performance)

Linked Recommendations – Recommendation 4 (Strengthen performance, risk and financial oversight) and Recommendation 7 (Embed continuous improvement)

Financial sustainability and value for money

The Scheme is delivering measurable consumer benefits, but it is operating within a context of structural cost pressures, particularly for out-bound freight and product-level subsidies.

At a system level, financial sustainability is shaped by:

- The relationship between Scheme scale and unit costs.
- The balance between volume-driven and price-driven cost pressures.
- The availability of timely, detailed financial data to support forecasting and decision-making.

A key issue is the ability to understand and manage underlying cost drivers as the Scheme expands. Strengthening this capability is critical as, to date, financial reporting has at times been late against the Funding Agreement requirements and reports are highly aggregated, limiting timely visibility of cost drivers and constraining value-for-money assessment.

Main Domains impacted – Domain 3 (Performance) and Domain 4 (Financial)

Linked Recommendations – Recommendation 4 (Strengthen performance, risk and financial oversight) and Recommendation 5 (Consolidate funding and policy responses)

Equity and participation

The Scheme is designed to support equitable access across remote communities. However, participation patterns reflect differences in store capability, resourcing and administrative capacity, rather than purely community need.

At a system level, this creates a structural tension between:

- Settings that ensure integrity and consistency, versus
- The need to enable participation across diverse operating contexts

As future growth is likely to be driven primarily by independent stores, addressing this participation imbalance will be central to improving equity outcomes. Recent policy and funding measures, including targeted support for independent stores and the removal of the participation cap, are intended to broaden access to the Scheme. However, the effectiveness of these measures will depend on the extent to which onboarding, compliance and reporting requirements can be supported in a practical and proportionate manner for smaller operators. While these initiatives present a significant opportunity to improve participation and equity of access, their impact is not yet fully realised and will require ongoing monitoring.

In addition, further clarification of Conditional Registration under the Code is required, as some independent stores were concerned they could be excluded if conditions were not met. The operational reality is that compliance with the minimum standards of the Code may require infrastructure investment, such as moving power points or installing new shelving. NIAA has clarified there is no fixed timeframe for compliance with the Code standards, provided stores demonstrate genuine progress, and that stores will not be penalised where requirements are not feasible due to cost or store constraints.

Main Domains impacted – Domain 3 (Performance) and Domain 5 (Provider performance)

Linked Recommendations – Recommendation 4 (Strengthen performance, risk and financial oversight) and Recommendation 7 (Embed continuous improvement)

Implications for Scheme maturation

The cross-cutting issues identified in this Review reflect a Scheme that has prioritised rapid implementation and early impact and is now transitioning to a more mature operating phase. While several improvements have been initiated during the Review period, the underlying structural features identified remain relevant as the Scheme continues to scale.

The key task is not to redesign the Scheme, but to refine and strengthen existing settings so they are proportionate to its expanded scale and complexity. This includes:

- improving visibility of performance and cost data
- strengthening governance and oversight mechanisms, including embedding recent enhancements
- addressing participation and equity gaps, particularly as future growth is likely to be driven by increased participation from independent stores
- managing emerging market and supply chain risks

Taken together, these actions will support a more balanced model that retains the benefits of centralisation and scale while strengthening resilience, accountability and equitable access over the longer term.

Part 3. Findings, implications, and areas for improvement

This Part presents a detailed assessment of the Scheme across five core domains, which were developed based on the Review scope provided by the NIAA and informed by ACCC considerations. It maps review requirements to evidence and sets out domain-specific findings, implications and actionable areas for improvement to strengthen delivery and outcomes.

This section expands on the **Recommendations** included in the Executive Summary.

Domain 1 – Scheme Design and Development

Review requirements addressed in this Section
To what extent is the Scheme design suitable for meeting the Commonwealth Government's policy objectives of reducing the cost of essentials in remote Indigenous communities?
Are the delivery arrangements with Outback Stores appropriate and sufficient to achieve the Scheme's outcomes?
Are the Code and Scheme clear, consistent and appropriate to support Scheme delivery and equitable participation? (Noting this is a review of the Scheme - review of the Code is only in scope as far as participation is an eligibility requirement for the Scheme.)
Are the supply chain and freight arrangements supporting timely and reliable delivery of subsidised products to participating stores?
Key findings and commentary
Suitability for policy objectives The Scheme's design is aligned with the Commonwealth's objective of reducing the cost of essentials in remote Indigenous communities. The use of targeted subsidies and the IMP mechanism have delivered immediate affordability benefits, with prices for 30 products (and a larger range of SKU's within each product line) in participating stores now comparable to urban supermarkets in participating stores. The design also incorporates broader objectives relating to health outcomes and store standards. However, the interaction between these objectives creates complexity in implementation, particularly in balancing affordability with health and community outcomes. Recent policy developments, including investment in cold chain capability, signal potential expansion of the subsidised product range, with associated implications considered below. *Delivery arrangements with Outback Stores* The funding agreement with Outback Stores is comprehensive, covering policy objectives, governance, reporting, and risk management. Outback Stores' scale and operational capacity have enabled rapid rollout and consistent delivery, leveraging existing infrastructure and relationships in remote communities. However, reliance on a single delivery model limits delivery flexibility and introduces longer-term risk for supply sustainability, adaptability and market dynamics. These risks are addressed in subsequent sections of the report.

Clarity and consistency of Code and Scheme

The linkage between Scheme participation and the Code provides a consistent framework for governance and operational standards. This supports integrity and alignment with broader policy objectives.

In practice, these settings are more suited to corporatised networks with established systems and administrative capacity. For many smaller independent stores, however, onboarding and compliance requirements are relatively more resource-intensive, reflecting differences in capability rather than design intent.

Consumer choice and product range dynamics

The nationally consistent basket of subsidised products supports simplicity, price comparability and administrative efficiency, but also has implications for product range and consumer choice. As subsidised products become more prominent in pricing and purchasing, demand may shift away from non-subsidised alternatives, reducing the viability of competing products and potentially narrowing product range in some stores, particularly where shelf space and working capital are constrained. This may then affect supplier diversity, localised offerings and responsiveness to community needs.

Investment in cold chain capability creates a pathway to broaden the subsidised product range beyond shelf-stable goods. While this may support improved health outcomes, it introduces additional complexity in procurement, pricing and logistics, including exposure to price volatility and spoilage risk. It may also affect supplier dynamics and the stability of the current delivery model.

The current policy is to not to go beyond 30 products to limit the Scheme cost and the competitive impact of the Scheme on other suppliers. Accordingly, any change to product mix will require existing products to be removed from the subsidised list to accommodate the introduction of new products.

The above factors will require careful consideration as the Scheme evolves.

Supply chain and freight arrangements

Centralised procurement and warehousing have delivered scale efficiencies and reliable delivery for most participating stores, supporting timely and consistent access to subsidised goods. However, it is inherently less flexible than decentralised approaches and places greater reliance on coordinated logistics and infrastructure, particularly during adverse weather events or logistical disruptions. While freight delays are infrequent, when they do occur, they can have significant impacts on store operations.

Implications

- As the Scheme expands, decisions will increasingly involve trade-offs between affordability, health outcomes, operational feasibility and market impacts. A clear understanding of these trade-offs will be important to support consistent decision-making and maintain confidence in the Scheme's direction.
- Future enhancements to the Scheme, including potential changes to the subsidised product mix, are likely to increase complexity and require stronger governance, stakeholder engagement and evidence-based assessment of costs, benefits and unintended consequences.
- Achieving more equitable access will depend on the Scheme's ability to accommodate the differing capabilities of participating stores. Without support and participation pathways, the Scheme may continue to favour larger store networks over smaller independent operators.

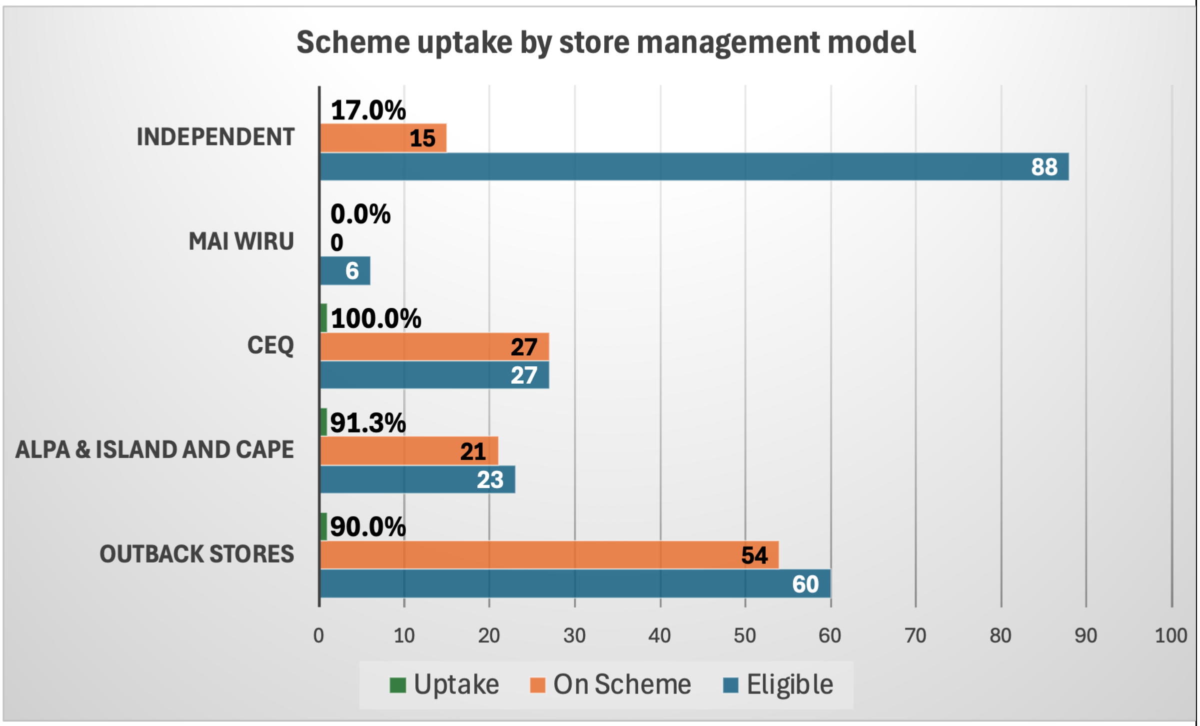
• The effectiveness of the current delivery model is closely linked to the continued performance of centralised procurement, warehousing and distribution arrangements. As participation grows, maintaining resilience, flexibility and responsiveness will become increasingly important. • The interaction between product settings, delivery arrangements and market dynamics will require ongoing monitoring to ensure that consumer benefits are maintained without creating unintended impacts on supplier diversity, competition or community choice.
Areas for improvement – see Recommendations 1 and 2
• Clarify the multi-faceted objectives of affordability, food security and health outcomes to guide decision making, product selection and performance measures. • Revise the communication strategy to communicate the Scheme's multiple and competing objectives, ensuring key stakeholders understand the balance between affordability and health outcomes. • Continue structured review of the subsidised product range with explicit consideration of delivery model impacts, supply chain requirements and cost implications. • Periodically assess the ongoing suitability of delivery arrangements as the Scheme matures, including consideration of flexibility, resilience and long-term sustainability. • Establish a stakeholder advisory group, including independent stores, community representatives, and health experts, to provide ongoing input into Scheme evolution with the option of having a separate consumer advisory group.

Figure 3 – Illustration of savings between a Scheme product (Woolworths 1 Litre UHT milk - $1.65) and non-Scheme product (Devondale 1 Litre UHT milk - $4.15)

Domain 2 – Scheme Implementation

Review requirements addressed in this Section
To what extent has the Scheme been implemented as planned?
Are the Scheme's onboarding process and supports available to eligible Stores effective in facilitating participation?
Are the price monitoring and IMP processes operating as intended and is there a need to change any aspect of these processes?
Key findings and commentary
Implementation progress and delivery model The Scheme was implemented largely as planned, with rapid mobilisation and strong uptake in centrally managed networks. Core program elements (documentation, onboarding processes and price settings) are in place and functioning as intended. The implementation approach has effectively leveraged existing systems, relationships and operational capacity within these networks, supporting efficient rollout and early delivery of affordability outcomes. As the Scheme expands beyond its initial scale and transitions toward broader participation, these delivery arrangements will be tested in more diverse operating contexts, particularly among independent stores with varying levels of capability and systems maturity. Recent initiatives to support the participation of independent stores indicate a shift towards addressing these differences, although impacts are not yet fully realised. *Participation patterns and access* Participation is uneven across store types, with uptake concentrated among centrally managed operators. Independent stores are under-represented. Stakeholder feedback identified a range of contributing factors, including administrative capacity constraints, lack of interest in the Scheme, limited resourcing and, in some cases, resistance to the involvement of Outback Stores. While participation requirements are clear and consistent for all stores, the effort required to complete onboarding and maintain compliance represents a relatively higher burden for smaller operators, and a barrier to participation. Recent policy and funding measures, commencing from 1 July 2026, will introduce targeted support for independent stores and remove the cap on Scheme participation. As the Scheme expands toward the full eligible cohort, future growth is expected to be driven primarily by independent stores, increasing the importance of support for onboarding.

Figure 4 – Scheme uptake by management model in early 2026



Onboarding process and support

The onboarding process is structured and consistent with Scheme requirements but is better suited to stores with established administrative capability.

Independent stores face practical challenges including navigating documentation, meeting compliance requirements and allocating staff time to onboarding activities.

Conditional registration under the Code provides flexibility for stores not yet fully compliant, but some face barriers to meeting all requirements, particularly where this would require infrastructure changes. For example, standards relating to product placement may not be feasible where stores lack the space or capital to adjust.

Price monitoring and IMP processes

The IMP mechanism is operating as intended in most stores, with regular price monitoring and reporting ensuring compliance and price comparability.

While communication of the monthly IMP changes is timely, implementation is more straightforward in centrally managed networks that can automate pricing updates. Independent stores often rely on more manual processes, creating additional administrative effort and increasing the risk of implementation errors.

Key learnings and stakeholder feedback

Stakeholder feedback highlights the Scheme's success in delivering affordability and supply reliability, especially in centrally managed networks. However, administrative burden, technical barriers, and perceived inequities in participation remain significant challenges. Suggestions for improvement include streamlining on-boarding processes, enhancing support for stores contemplating participation, improving coordination with State and Territory programs and fostering a culture of continuous improvement and learning.

Implications
• Future Scheme growth is likely to depend largely on participation by independent stores, making implementation support a critical success factor. • Differences in store capability create variability in the relative effort required to participate and comply with Scheme requirements. • Without scalable support mechanisms, participation gaps may persist, limiting equitable access to Scheme benefits across eligible communities.
Areas for improvement – see Recommendation 3
• Refine the onboarding process, making it more accessible, user-friendly, and more suited to store capability while maintaining governance standards. • Expand practical support mechanisms to include plain-English guidance, checklists that guide store managers, and scalable, direct onboarding support. • Deploy targeted outreach and engagement in under-represented regions and ensure that recent funding and policy measures supporting independent stores are effectively implemented. • Provide technical support grants for POS upgrades, digital literacy training, and compliance tools to reduce manual effort and improve compliance consistency. • Strengthen co-ordination with State and Territory programs to reduce duplication and streamline compliance for stores operating across multiple frameworks. • Monitor participation levels and compliance with standards, using dashboards and analytics to identify emerging barriers and respond proactively.

Domain 3 – Performance and Risk Management

Review requirements addressed in this Section
Is the uptake of the Scheme meeting budgeted uptake?
To what extent is the Scheme reaching eligible remote stores?
Are risks identified and managed appropriately and have any new risks emerged?
Is the Scheme governance structure in place efficient and appropriate?
Are reporting and monitoring practices sufficient to support transparency, accountability and effective Scheme management?
Are participating stores able to comply with the Scheme requirements without creating excessive administrative burden?
What is working well and what are the challenges/barriers of the Scheme?

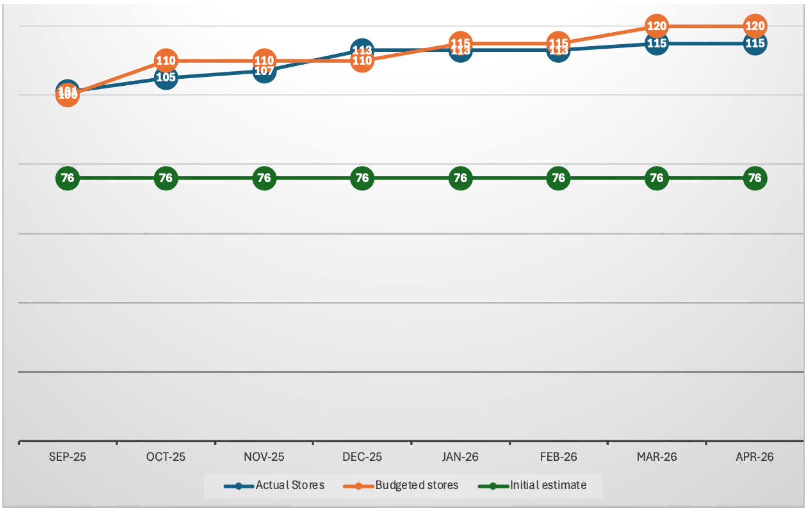
Key findings and commentary

Uptake and reach of the Scheme

Overall Scheme uptake has been strong and, in the early stages of implementation, exceeded initial expectations (76 stores), driven primarily by high participation across centrally managed store networks. This accelerated the delivery of Scheme benefits and enabled operations to build scale that has driven efficiencies.

Since the initial surge participation levels have stabilised and are now broadly consistent with the revised forecasts set in September 2025. As shown in the table below, actual store numbers have been approximately 4% below revised budget projections since January 2026.

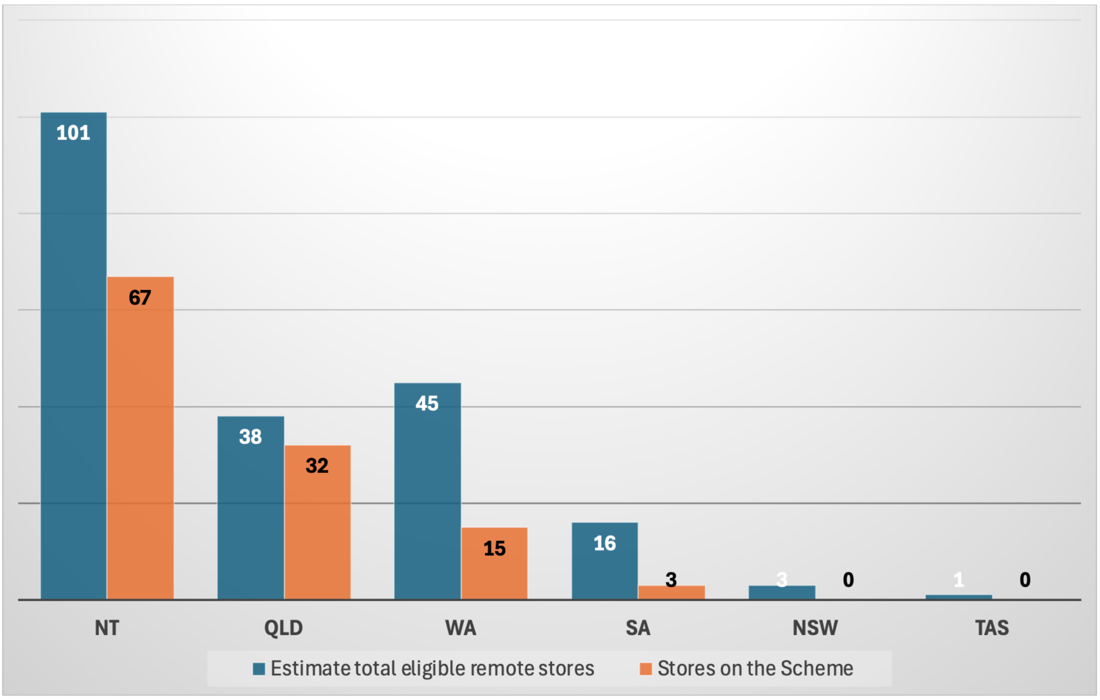
Figure 5 – Actual stores vs Budgeted Stores vs Initial estimates; September 2025 to April 2026



While the Scheme is reaching a substantial proportion of eligible stores, participation remains uneven across store types and jurisdictions. As above uptake continues to be concentrated among centrally managed operators, affecting the distribution of benefits and limiting consistency of outcomes across communities.

The following graph illustrates the uptake being highly uneven across jurisdictions, which suggests Scheme outcomes are likely to be concentrated geographically, more so in the Northern Territory (66% uptake) and Queensland (84% uptake).

Figure 6 – Scheme uptake by jurisdiction as of January 2026 – eligible vs participating



Performance across store types and locations

Scheme performance is not uniform across participating stores with performance and outcomes depending on individual stores' capability, systems, local operating conditions and in-store execution.

Centrally managed stores are generally better positioned to deliver consistent outcomes due to integrated systems and operational support, while independent stores experience greater variability.

At the store-level operational capability further influence Scheme outcomes. We were advised by many store managers that in-store practices (such as product placement, promotion and customer engagement) materially affect purchasing behaviour, and price reductions alone do not consistently shift demand. As a result, identical pricing settings can produce different outcomes across stores, particularly where store capability and consumer engagement are limited.

Administrative burden and capability

Corporatised networks manage compliance with minimal burden as they have established systems and resources. In contrast independent stores face significant challenges, including limited staffing, manual systems and lower levels of technical capability.

Existing support mechanisms and conditional registration pathways under the Code provide some flexibility. However, capability differences remain a significant factor influencing participation and implementation.

Recent initiatives aimed at supporting independent stores are expected to improve access, but their impact is not yet fully realised and will require ongoing refinement as participation expands.

Risk identification and management

Some risks are identified and documented, with a risk register monitored quarterly. Fraud and corruption controls are supported by clear governance architecture.

However, broader operational and market risk management remains less mature. Emerging risks, including supply chain disruption, market concentration and provider dependency, are recognised but not consistently managed in a proactive or integrated manner. As the Scheme scales, the need for more dynamic and forward-looking risk management becomes more pronounced.

Reporting, monitoring and governance practices

Reporting and governance arrangements are established and generally operating as intended. Defined roles and responsibilities exist between NIAA and the delivery partner, supported by governance forums that provide oversight and coordination.

The Review found that the principal challenge is not the absence of governance structures, but that reporting was not always sufficiently timely, detailed or integrated to support proactive management. During the early stages of implementation, governance bodies were largely reliant on provider reporting, which provided limited visibility of emerging issues, store-level performance and underlying cost drivers.

As Scheme uptake exceeded initial forecasts and operations scaled rapidly, these limitations became more apparent. Reporting, performance monitoring and risk management processes were not yet configured to provide the level of insight required to support a growing Scheme. The Review also identified opportunities to strengthen integration between governance, performance monitoring and risk management processes, including clearer escalation pathways.

During the Review period, governance and reporting arrangements were strengthened through enhanced oversight processes, revised budget settings and increased focus on financial and performance reporting. While these changes represent positive progress, they are not yet fully embedded.

The broader implications of these findings are discussed in the Cross-cutting Analysis under Governance, Reporting and Assurance, which considers governance capability as a system-level enabler of Scheme performance, accountability and sustainability.

Healthy Stores Project

A tension exists between encouraging all stores to join the Healthy Stores project for support and the fact that stores can decline if they feel they do not need it. The uptake of the Healthy Stores Project has been relatively modest, apart from in Queensland. Overall, of the 117 stores on the Scheme as at January 2026, 55 (47%) have signed up to the Healthy Stores Project operated by Monash University. Only 6 independent stores and no stores managed by Outback Stores have signed up for the Healthy Stores Project.

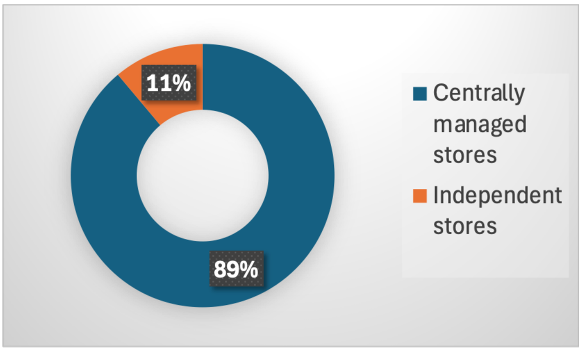


Figure 7 – Uptake of Healthy Stores Project by store management type

What's working well and challenges

The Scheme has delivered strong early results in terms of affordability and supply reliability, particularly within centrally managed store networks. Rapid mobilisation, consistent pricing settings and operational coordination have enabled early success.

At the same time, key challenges remain:

- uneven participation across store types
- variability in performance at the store level
- administrative burden for smaller operators
- limited data integration and reporting capability
- governance arrangements that are still maturing

These challenges reflect the Scheme's transition from rapid implementation to a more complex, scaled operating environment.

Implications

- Strong early uptake has demonstrated the Scheme's ability to operate at scale. Future growth is likely to come from independent stores, increasing the importance of supporting a wider range of store capabilities and operating environments.
- As the Scheme matures, maintaining consistent outcomes across communities will require a greater focus on implementation quality, store capability and local engagement. Pricing mechanisms alone are unlikely to deliver consistent results without complementary support and monitoring.
- As the Scheme matures, governance, reporting and risk management arrangements will need to support active performance management through more timely, integrated and decision-ready information.
- The long-term effectiveness of the Scheme will depend on its ability to balance accountability and assurance requirements with practical participation pathways, particularly for smaller and independent stores. Achieving this balance will be critical to expanding access without creating unintended barriers to participation.
- The current limitations in health and outcome data reduce the ability to assess whether the Scheme is achieving its broader objectives beyond affordability. Strengthening monitoring and evaluation arrangements will be important to inform future policy decisions and demonstrate longer-term impacts.

Areas for improvement – see Recommendations 4 and 7

- Build on existing improvements to establish a Scheme-wide, integrated performance monitoring system that enables more timely, independent and proactive governance. There should be a formal monitoring and evaluation blueprint. The monitoring system needs to capture store-level, financial, compliance and operational data to support proactive decision-making and transparency.
- Embed and further strengthen recent risk management and governance initiatives to ensure a clear escalation pathways, supported by a dynamic and regularly reviewed risk register.
- Provide regular training and capacity-building for NIAA, Outback Stores, and participating stores on improving consistency of implementation, risk identification, mitigation, and reporting.
- Use the reach of the Healthy Stores Project to collect consistent health data to support evaluation of outcomes against the Scheme's health objectives and inform future policy direction. This should include encouraging store participation and, where stores opt out, establishing minimum data requirements to ensure consistent reporting.
- Simplify compliance administration, offering modular reporting templates, automated tools, and direct support for independent stores to reduce administrative burden, without compromising governance integrity.
- Create a stakeholder feedback loop so that the governance groups are aware of unintended consequences, ensuring that lessons learned are systematically incorporated into policy and operational adjustments as the Scheme matures.
- Continue to strengthen assurance through periodic independent review of performance, governance and risk management arrangements, ensuring findings are used to enhance accountability and maintain stakeholder confidence.
- Strengthen the integration of governance, risk management and reporting processes to support decision-making.

Figure 8 – Example of sold out Scheme products (Vevelle toilet paper) and fully stocked non-Scheme product (Kleenex Toilet Paper)

Domain 4 – Financial oversight and transparency

Review requirements addressed in this Section
Was the basis for determining the Scheme's budget consistent with the policy objective?
Is the Scheme operating within budget?
Are the fund allocation and usage by Outback Stores transparent?
To what extent are actual prices within the IMP guidelines?
Key findings and commentary
Alignment of budget with policy intent The NIAA advised that the initial modelling underpinning the Scheme and Code, including the drawdown of funding across the four-year period, assumed approximately 76 stores would be participating in the first 12 months, with gradual expansion toward 152 stores over the life of the Scheme. However, this modelling was prepared for a Cabinet in Confidence submission and was not provided to Yaran for this Review. Actual uptake by stores was substantially faster than anticipated and diverged significantly from the original modelling assumptions. Store participation reached 120 stores during the Review period. Budget settings were subsequently revised to reflect the expanded scale of operations. We were provided with a copy of the Scheme budget presented to the Project Steering Committee for approval in September 2025. This budget reflected updated participation assumptions and was consistent with the Scheme's policy objectives, including the expansion of store numbers and continued focus on affordability through subsidies, freight support and administration costs. *Operating within budget* The budget provided to the Project Steering Committee in September 2025 represented a hybrid of the original funding model (based on lower uptake assumptions) and early revisions reflecting increased participation. As a result, its relevance as a baseline for assessing performance against either the original modelling or a fully recalibrated budget is limited. Notwithstanding this limitation, a review of the available budget data compared to actual expenditure indicates a material divergence between the original forecast and realised costs. While early forecasting uncertainty is expected in a new Scheme, expenditure patterns demonstrate a misalignment between initial assumptions and actual cost dynamics as the Scheme scaled. This financial overrun was not clearly visible in the monthly reporting, raising concerns regarding financial visibility and fiscal discipline at that stage. The accelerated uptake profile brought forward expenditure that had been expected to occur over a longer period. As a result, initial budget settings were quickly overtaken by Scheme growth. We note that the additional funding in the recent Federal budget includes an allowance for additional participating stores, compared to the establishment funding in July 2025. Revisions to budget settings and forward projections are now underway to better align funding with actual uptake and emerging cost dynamics. However, the experience highlights the need

for robust, timely and integrated financial monitoring and forecasting as the Scheme continues to expand.

Transparency of fund allocation and usage

Financial reporting arrangements are established and provide visibility of expenditure across key cost categories. However, reporting has historically been highly aggregated and not always available in a format that supports detailed analysis, forecasting or proactive management.

During the Review, limited reporting granularity constrained visibility of underlying cost drivers and reduced the ability of governance groups to assess emerging financial risks, expenditure trends and value-for-money considerations.

While financial data exists within Outback Stores' delivery systems, it has not consistently been available in a format that supports Scheme-level analysis, forecasting and early intervention. We acknowledge that this will be a role of the newly appointed Independent Financial Adviser, in conjunction with NIAA and the Scheme's governance groups.

Cost drivers and financial data

Available evidence indicates that expenditure growth has been driven by both increased participation and rising costs, particularly freight and subsidy-related expenditure.

The principal challenge is not the absence of financial data, but the ability to analyse and interpret that information at a level that supports informed decision-making. Limited visibility of underlying cost drivers has made it difficult to distinguish the relative contribution of volume-driven and price-driven pressures.

Improvements introduced during the Review period, including enhanced financial oversight and independent financial assurance, have begun to address these issues. However, further development is required to improve data integration, forecasting capability and financial analysis.

Actual prices vs. IMP guidelines

Available evidence supports that stores adhere to IMP guidelines, with regular monitoring and reporting ensuring compliance. Some minor unintentional deviations were observed at one small store during the Review but they were promptly addressed.

Evolving funding and policy response

During the Review period, NIAA implemented several significant policy and funding changes in response to accelerated Scheme uptake and emerging financial pressures. The 2026–27 Federal Budget included an additional $27.4 million to:

- Remove the original cap of 152 participating stores.
- Support increased participation by independent stores.
- Introduce cold storage capability within the Adelaide warehouse to enable potential product range adjustment.
- Address the funding shortfall resulting from faster-than-anticipated uptake.

These changes represent a material shift in the Scheme's operating context, transitioning from a capped, phased rollout to a model with no cap.

While these initiatives address immediate funding pressures and support future scalability, their full impact on cost structures, demand and long-term sustainability remains uncertain and will require ongoing monitoring.

Implications

- Recent funding and policy measures provide a stronger foundation for delivery, but long-term sustainability will depend on maintaining alignment between participation growth, delivery costs and available Scheme funding.
- As the Scheme matures, financial oversight will need to focus increasingly on forward-looking analysis that supports strategic decision-making, risk management and value-for-money assessment.
- New initiatives, including support for independent stores and cold chain capability, increase the importance of understanding cost and benefit drivers to inform future policy decisions.
- Early limitations in data timeliness and visibility constrained proactive financial management. Continued improvements in financial reporting, data integration and independent assurance will be critical to supporting proactive performance management.

Areas for improvement – Recommendations 4 and 5

- Build on strengthened governance and recent budget revisions by embedding timely, detailed and decision-ready financial reporting across all governance levels of the Scheme.
- Improve visibility and analysis of cost drivers, including clearer separation of volume-driven and price-driven cost pressures.
- Integrate financial, performance, scenario planning and risk data into decision-making processes to support proactive management and early intervention by the governance groups when required.
- Ensure that recent funding measures, including support for independent stores and investment in cold chain capability, are supported by robust financial monitoring and evaluation frameworks.
- Continue to strengthen independent financial oversight and assurance mechanisms to support transparency, accountability and confidence in Scheme performance.

Figure 9 – Photo highlighting the price difference between Scheme products (500ml Shampoo at $2.00) and non-Scheme product (375ml shampoo at $10.05)

Domain 5 – Scheme Provider Performance

Review requirements addressed in this Section
To what extent is Outback Stores meeting its contractual requirements?
What challenges does Outback Stores face (if any) to scale up to support all eligible stores?
Are the ring-fencing arrangements implemented by Outback Stores appropriately implemented and operational?
What do the financial and operational materials from Outback Stores indicate about the rate at which Scheme funding is being spent?
Key findings and commentary
Meeting contractual requirements Outback Stores has met core contractual requirements, including the establishment and operation of the Adelaide distribution centre, and achievement of all mandatory KPIs for mobilisation of the Scheme. Outback Stores' operational footprint continues to expand, supporting the Scheme's reach and reliability. *Operational capacity and service delivery* Outback Stores' scale, systems and established presence in remote retail have enabled consistent delivery across a dispersed network of stores. This has supported reliability of supply, coordination of pricing settings and integration of Scheme requirements into existing operations. The organisation has demonstrated the ability to manage logistical complexity and respond to operational challenges, including supply chain disruption and scale-up requirements. The accelerated uptake of the Scheme has tested delivery capacity earlier than anticipated. While Outback Stores has demonstrated the ability to scale operations in response, the pace of expansion highlights the need for ongoing strengthening of systems, workforce capability and planning to support sustained delivery at an expanded scale. *Performance reporting and transparency* Performance reporting is in place and aligned with contractual requirements; however, reporting has at times been highly summarised and not timely. As a result, the reports are not always fit for purpose, lacking sufficient detail, timeliness and analytical depth to support effective oversight, performance assessment, early identification of issues and continuous improvement, this was particularly so during the early stages of rapid Scheme expansion. Improvements to governance and oversight processes are underway, but these have not yet been fully embedded. *Operational challenges and delivery* Outback Stores has addressed operational challenges such as rapid uptake, supply chain disruptions and freight delays through contingency planning, process improvements, and leveraging its scale. However, during the Review period performance reporting has been late and lacked sufficient detail for effective oversight, limiting NIAA's ability to intervene early or drive continuous improvement.

The transition from initial implementation to expanded delivery across a broader store cohort will require continued strengthening of monitoring, reporting and operational resilience.

Ring-fencing arrangements

Ring-fencing arrangements are in place to separate Scheme administration from other Outback Stores activities. Evidence reviewed indicates these arrangements are generally operating as intended.

Given Outback Stores' multiple roles within the remote retail sector, ongoing monitoring and periodic independent assurance remain important to maintain transparency and manage potential conflicts of interest.

Implications

- The current delivery model has demonstrated the value of an experienced delivery partner in achieving rapid implementation and scale. As the Scheme expands, maintaining this performance will require continued investment in capability, systems and planning.
- Reliance on a single delivery partner increases the importance of strong oversight, transparency and independent assurance to maintain confidence in delivery arrangements and outcomes.
- As participation expands beyond centrally managed networks, delivery arrangements will need to accommodate a wider range of store capabilities and operating environments, requiring greater flexibility and support.
- As the Scheme matures, governance arrangements will need to focus increasingly on performance, outcomes and continuous improvement rather than implementation.
- Ongoing monitoring of market impacts, provider performance and ring-fencing arrangements will be important to ensure the consumer benefits are maintained without unintended impacts on competition, supplier diversity or stakeholder confidence.

Areas for improvement – Recommendations 6 and 7

- Build on strengthened governance arrangements by enhancing performance reporting, including clearer expectations for timeliness, data quality and level of detail to support effective oversight.
- Ensure delivery arrangements remain aligned with the expanded scale of the Scheme, including system capability, workforce planning and contingency arrangements.
- Strengthen oversight of the delivery model through clearer performance expectations, structured monitoring of market impacts and continued stakeholder engagement (ACCC, independent wholesalers, and community stakeholders).
- Build on recent funding and policy measures by ensuring that support for independent stores is effectively implemented and integrated into delivery arrangements.
- Maintain and periodically review ring-fencing arrangements, supported by independent assurance, to ensure continued effectiveness as delivery roles evolve.
- Continue to strengthen forward planning and scenario analysis to ensure alignment between Scheme growth, cost drivers and funding sustainability.

Glossary of Terms

Term	Context
30 products	The defined list of 30 essential food and household products included in the Scheme.
Australian Competition and Consumer Commission (ACCC)	The national regulator overseeing competition and consumer law, including monitoring market impacts of the Scheme.
Centralised procurement model	A model where a single entity manages sourcing and distribution to achieve scale and price consistency.
Corporate / Centrally managed stores	Remote stores operated by corporate or networked entities (e.g. Outback Stores, ALPA, CEQ) with centralised systems, procurement, and administrative support.
Closing the Gap	A national policy framework aimed at improving outcomes for Indigenous peoples.
Conditional Registration	A pathway that allows stores to access the Scheme and supports available through the Code while the store works towards full compliance with the minimum standards of the Code.
Cross-cutting	Issues and priorities that affect multiple domains of the Scheme and require coordinated, system-wide consideration across policy, implementation, governance and delivery.
Freight costs	The cost of transporting goods to remote areas, a key driver of high prices.
Independent remote store	A standalone remote community store not part of a central management network, typically with limited administrative and system capacity.
Intended Maximum Price (IMP)	The maximum retail price for subsidised products. Stores must not sell above this price but may sell below it.
Market concentration	The dominance of a small number of providers in a market, creating competition and dependency risks.
Monash University Healthy Stores Project (Healthy Stores Project)	A program supporting remote stores to meet the Health Standards in the Code.
National Code of Practice for Remote Store Operations (The Code)	A voluntary framework setting minimum governance, operational, and health standards for remote stores. Registration under the Code is an eligibility requirement for Scheme participation.

Term	Context
National Indigenous Australians Agency (NIAA)	The Australian Government agency responsible for Scheme policy, funding, and oversight.
Outback Stores Pty Ltd	The Commonwealth-owned delivery entity responsible for procurement, distribution and operational delivery of the Scheme.
Participating Store	A community store enrolled in the Scheme, eligible to receive subsidised essential products and required to comply with the Code.
Point of Sale (POS) system	A system used by stores to process sales, manage pricing, and track inventory.
Remote store	A store located in an ABS-classified remote or very remote community, often the primary source of food and essentials.
Ring-fencing	Governance arrangements separating Scheme delivery by Outback Stores from their commercial retail operations to manage conflicts of interest.
Scheme (Low-Cost Essentials Subsidy Scheme)	A government program that reduces the cost of essential goods in remote communities through subsidies and price controls.
Scheme provider	The entity contracted to deliver the Scheme (currently Outback Stores), responsible for procurement, distribution, administration, and reporting.
SKU (Stock Keeping Unit)	A unique identifier used to track individual products in inventory and sales systems.
Subsidy (freight and procurement)	A financial contribution applied to selected products to reduce their cost to consumers (e.g. freight subsidy applied to transportation costs to reduce the landed price of goods).
Supply chain (remote context)	The procurement, warehousing, and freight systems used to deliver goods to remote stores.
Yaran Business Services	The consulting firm engaged to deliver the Review and provide recommendations.