



Queensland Treasury Response to Commonwealth Grants Commission 2010 Review Draft Report Attachment 13

Welfare and Housing

September 2009

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SUMMARY OF QUEENSLAND'S POSITION

Queensland generally supports the welfare and housing assessment because the category structure brings simplicity by decreasing the number of expenditure categories. However, some aspects of the assessment methodology require further consideration.

The use of the Commonwealth welfare recipient numbers as a broad indicator for welfare and housing services is an appropriate measure. Using Victorian or South Australian data to represent national data in those areas where national data are not available is problematic. Queensland does not believe that Victorian or South Australian data necessarily represent the broader family and child welfare users in Victoria and South Australia, let alone other states. However, as the Commission has no other data than the Victorian and South Australian data, Queensland considers the Commission should use the data with great caution and use its judgement if necessary to make the data more closely reflect the Australian situation.

Queensland considers that further adjustments to the use rates derived from the broad indicator data are not required. However, if they are made then they should only be considered if they are material and improve equalisation. Further adjustments for people with low English fluency (LEF), older people, and cost of living adjustments do not appear to be necessary.

Regional location factors more appropriately reflect the gross costs of providing a housing service, rather than net costs. This is because user charges and rent from the housing stock do not increase with remoteness. Queensland suggests the Commission adjust the general location factor to reflect the impact location has on housing costs.

Queensland supports the assessment of FHOS expenses on an actual per capita (APC) basis, while states share a uniform policy. Two states have indicated their intention to alter their policies when the Commonwealth Government's First Home Owner Boost expires. The Commission may need to reconsider the APC approach in subsequent updates, given that differences between states in regard to how FHOS is applied is driven by policy.

Queensland's Position on Key Issues

The methodology for the assessment of Welfare and Housing category should be finalised as proposed in the Draft Report, except for the following:

- The Commission to use judgement to adjust the family and child services data to better reflect provision of family and child services across all states, and
- An adjustment to the location factor for housing to reflect location costs apply to gross, not net, housing costs.

PROPOSED METHODOLOGY

The Commission's proposed welfare and housing assessment category replaces five assessment categories from the 2004 Review: family and child services; aged and disabled services; homelessness and general welfare; housing; and the First Home Owners Scheme (FHOS).

The Commission's proposal is to assess state welfare and housing expenditure in two parts:

- A 'service delivery expenses' category, including: a socio-demographic composition (SDC) factor, cross-border factor, service delivery scale (costs associated with providing services to small population centres), and a location factor comprising interstate wage and non-wage costs and regional costs; and,
- An 'other expenses' category, including administrative scale, FHOS, native title and land rights, and Remote Indigenous Housing NPP.

The Commission proposes using Commonwealth benefit recipient data from Centrelink and the Department of Veteran Affairs as the broad indicator for the welfare and housing assessment, supplemented by national level data, where appropriate.

Socio-demographic composition (SDC) factor

The Commission's Draft Report proposes using the main source of income data for benefit recipients to calculate a national average allocation of state expenses for all service users. Benefit recipient data are divided into five main groups: family and child services, aged care services, disability services, other welfare services, and net housing (excluding FHOS). These data are further divided into Indigenous and non-Indigenous subgroups to calculate the average expenses per recipient. The disaggregation is intended to reflect the different usage and expenditure patterns of Indigenous and non-Indigenous welfare service users. The average expenses for non-Indigenous recipients are calculated using the data derived for all users and Indigenous users. The Commission then estimates the amount each state would have spent on Indigenous and non-Indigenous people if they spent the average amount per recipient of each type of income.

Other expenses

The Commission proposes assessing FHOS, and native title and land rights expenses using an actual per capita (APC) approach, because it considers these are common policies applicable to all states. The remote Indigenous housing NP is to have no impact on relativities.

ASSESSMENT APPROACH

Queensland supports the use of the Commonwealth welfare recipient numbers, rather than actual payments, as a broad indicator for welfare and housing services. Queensland believes these data are policy neutral, comparable and reliable.

Family and Child Services

The Commission proposes using national level data where appropriate (except for family and child services) and to weight recipients by the average state welfare and housing spending on services. In the absence of appropriate national level data, the Commission proposes deriving the source of income of users of all family and child protection services using Victorian data,¹ complemented by partial data for South Australia,² on the income of families investigated for suspected child abuse. The Commission deems the South Australian and Victorian data sets broadly consistent.

¹ The Victorian sources of income data are taken from the Victorian Department of Human Services *An Integrated Strategy for Child Protection and Placement Services* paper.

² The South Australian data are derived from cross-matching child protection notification data from the South Australian Department of Families and Communities with the data for the Families South Australia Emergency Financial Assistance program.

Queensland Departments of Communities and Child Safety have not been able to provide any evidence, quantitative or qualitative, to corroborate the Victorian or South Australian data. The Victorian or South Australian data are not necessarily representative of the broader family and child welfare users in Victoria and South Australia, let alone other states.

Data are not available from other states to adjust the Victorian data to reflect accurately average circumstances of all states. Queensland considers the Commission should exercise great caution in using the Victorian data. If necessary, the Commission should use its judgement to adjust the data, but even this will not produce an entirely accurate dataset.

SDC factor

Further adjustments are not necessary in the assessment as the higher use rates of groups of people, such as remote Indigenous people, are accounted for in the broad indicator data. Likewise, adjustments for people with low English fluency (LEF), older people, cost of living adjustments, or an age of housing stock adjustment are not necessary in this assessment.

The Commission proposes including an Indigenous housing cost weight of 1.5 in the SDC factor to reflect the higher cost of service provision to Indigenous people. Queensland supports the use of this cost weight and has provided data to the Commission demonstrating the higher costs Queensland faces in providing housing services for Indigenous people in both urban and remote areas.

Location factor

Intrastate costs

Queensland believes that the Commission should reconsider the appropriateness of applying the general location factor to the housing component of this assessment. Intrastate location costs apply to the gross costs of providing a housing service but the location factor is applied to the net housing costs. If this is done, the underlying assumption is that user charges increase with remoteness.

The experience in Queensland is that user charges tend to decline in relation to costs of providing the housing service. Applying the location factor to the gross housing costs, and then netting off user charges could address this issue, but it would be complicated as category expenses are based on net housing expenses. One simple approach to addressing this issue is to increase the intrastate location factor that applies to housing, perhaps as much as doubling the factor.

Service delivery scale

Queensland supports the Commission's proposal to apply a general service delivery scale factor, based on an average of the schools and police factors, in the welfare and housing assessment. Queensland has consistently argued that service delivery scale is an issue across all government services and the inclusion of this general factor will account for its impacts on welfare and housing services.

First Home Owners Scheme

The Commission proposes retaining an APC assessment of FHOS expenses. The Commission specifies that an APC assessment is used when:

“The assessed expense or assessed revenue for each state is set equal to its actual expense or revenue. It is used when, in the Commission’s judgement, the policies of all states are the same and any differences in expenses or revenues per capita are due to differences in state circumstances.”³

Queensland and New South Wales (NSW) have signalled their intention to introduce eligibility caps when the First Home Owners Boost expires. These two states accounted for 54 per cent of total FHOS payments in 2006-07, resulting in the average policy no longer being uniform.

It would be prudent for the Commission to determine if it remains appropriate to continue with an APC assessment, subject to materiality testing, in an annual update following the 2010 Review.

Native title and land rights

Queensland supports the inclusion of native title and land rights in the other services component of the welfare and housing assessment on the basis of simplicity and transparency. Queensland believes that an APC assessment is appropriate for native title and land rights because expenditure is solely a result of states’ adherence to Commonwealth legislation, *Native Title Act 1993* and *Aboriginal Land Rights (Northern Territory) Act 1976*. The ‘policy’ is uniform across the country, such that any differences in expenditure between states arise solely from state circumstances.

Remote Indigenous Housing NPP

Queensland considers it appropriate to assess the remote Indigenous housing NPP on an APC basis, and not having an impact on relativities, if it remains quarantined by the final Terms of Reference.

³ Relative Fiscal Capacities of the States 2008