



**NORTHERN TERRITORY VIEWS ON
CGC DRAFT REPORT – ATTACHMENT 13**

WELFARE AND HOUSING

SEPTEMBER 2009

Key Points

- The Centrelink profile of Indigenous family and children's services (FACS) clients derived from Victorian data is not nationally representative and is inappropriate for remote Indigenous people.
- The Territory is particularly concerned that the assessment overstates the use of FACS by people on Parenting Payment Single and understates use by those on other payments which have higher use in remote areas, such as Parenting Payment Partnered, thereby creating an urban bias in the assessment.
- The proposed method and available data does not provide an adequate basis for assessment of the FACS element of this category. The Territory submits that the Commission should separately assess FACS within the welfare and housing assessment using a simplified 2004 Review methodology and AIHW data.
- The proposed CDEP discount is based on unreliable data and reinforces the urban bias in the assessment.
- Assessing housing expenses on a net basis artificially dilutes the impact of expenditure disabilities. The Commission partially address this issue by grossing-up some disabilities. However, the Territory considers that all expense disabilities, particularly location, should be similarly grossed-up.

This submission details the Northern Territory's views on issues raised in the Commonwealth Grants Commission's (the Commission's) Draft Report, Attachment 13 – *Welfare and Housing*.

Introduction

The proposed methodology for assessing welfare and housing expenses outlined in the Draft Report is considerably different to the 2004 Review methodology. Broadly, the Commission propose:

- aggregating FACS, aged and disability services, housing, housing user charges, general welfare, and first home owner grant expenses into a single welfare and housing assessment;

- using weighted Centrelink and Department of Veterans Affairs (DVA) pensions and benefits recipients (Centrelink recipients) as a broad indicator of welfare and housing need;
- assessing housing expenses net of housing user charges;
- assessing first home owner grant and Remote Indigenous Housing National Partnership revenue and expenses actual per capita (APC); and
- assessing socio-demographic composition (SDC), location, service delivery scale, cross border, administrative scale, and native title and land rights disabilities.

In previous submissions the Territory has outlined a number of concerns with the proposed assessment methodology including:

- data quality and reliability;
- a lack of recognition of remote Indigenous use; and
- the dilution effect of a net assessment of housing expenses.

Data Quality

In its response to Position Paper 2008/21 the Territory raised a number of data quality and reliability concerns including:

- the large number of data recorded as “Indigenous status not stated” in Centrelink data;
- the high level of administrative welfare data where the pension and benefit type is not stated, particularly for disability carers; and
- the relevance of Victorian FACS data for other jurisdictions.

Centrelink and Administrative Data

Discussions with Commission staff subsequent to the release of the Draft Report indicate that the proportion of Centrelink clients with “Indigenous status not stated” has decreased significantly since 2004-05 (the year used in Position Paper 2008/21). Commission staff have also indicated the level of “pension and benefit type not stated” has declined in the most recent administrative data on disability services (the administrative dataset of most concern).

The improvements outlined above appear to have gone some way to address the Territory's concerns in these areas although the Commission will need to remain vigilant that the use of this data provides an adequate indication of Indigenous use of services included in this category.

FACS Data

The Territory is concerned that the data used to derive the Centrelink profile of FACS clients is not nationally representative and is an inappropriate indicator of use by remote Indigenous people. In particular the Territory is concerned that the assessment overstates the use of FACS services by people on Parenting Payment Single (PPS), creating an urban bias in the assessment.

The Commission has used Victorian data supplemented by limited South Australian data to estimate which Centrelink payments Indigenous and non-Indigenous users of FACS are likely to receive. The Territory is concerned that basing the assessment almost entirely on Victorian data introduces an urban bias into the assessment due to the differences in Centrelink profiles between urban and remote Indigenous FACS clients. The urban bias occurs as using the Victorian data results in higher cost weights for Centrelink benefits that are used more heavily by urban Indigenous people and lower cost weights for Centrelink benefits that are used more heavily by remote Indigenous people. It is also unclear how representative the Victorian data is more generally.

The Victorian data indicates that both Indigenous and non-Indigenous users of FACS in Victoria predominately receive PPS. As a result, the Commission's model gives a higher weighting to recipients of PPS, almost three times higher than recipients of Parenting Payment Partnered (PPP), effectively concluding recipients of PPS are around three times more likely to use FACS than recipients of PPP. This conclusion is not consistent with data derived from service usage sources.

While the Territory acknowledges that it is likely that a relatively high proportion of substantiations involve children living in lone parent families, the

Commission's proposed methodology lacks the sensitivity required to capture the different FACS and Centrelink use patterns associated with Indigenous people, particularly remote Indigenous people.

For example, the family structure of FACS clients varies considerably between jurisdictions, with the proportion of FACS clients residing with single parent families ranging from around 32 per cent in the Territory to around 52 per cent in Victoria¹. Northern Territory Department of Health and Families data also indicates that in the Territory only around 25 per cent of Indigenous FACS clients reside with single parent families, suggesting the significant differences between jurisdictions likely reflects differences in family structure between Indigenous and non-Indigenous FACS clients.

If the variations simply reflect Indigenous and non-Indigenous differences, an approach which uses different Centrelink profiles for Indigenous and non-Indigenous FACS clients should be sufficient. However, there is limited data from which to derive a reliable Centrelink profile for Indigenous FACS clients and the variations are not only attributable to Indigenous status but also to the remoteness of Indigenous FACS clients.

The Victorian FACS data is disaggregated by Indigenous status but does not separately identify FACS clients on PPP, as clients on benefits other than PPS and Newstart are captured under a broad 'other benefits' classification. The Commission propose to use partial South Australian data to allocate the Victorian 'other benefits' clients across the other Centrelink payments used in the FACS calculations. However, the South Australian data is not disaggregated by Indigenous status so does not capture any differences between Indigenous and non-Indigenous clients on 'other benefits'. It is not clear to the Territory that this methodology produces a reliable Centrelink profile for Indigenous FACS clients.

In addition to concerns regarding the validity of the general Indigenous FACS Centrelink profile, there are also differences in Centrelink profiles between

¹ AIHW, Child Protection in Australia, 2007-08, Page 36, Table 2.12.

remote and non-remote Indigenous FACS clients (likely the result of different family structures) which are not appropriately captured in the proposed methodology. This can be inferred from Table 1 which shows differences between the take-up rates of parenting payments and FACS use between remote and non-remote Indigenous people.

Table 1: Indigenous Parenting Payment and FACS Use Differences

	Non-Remote Use Per 1 000 Persons	Remote Use Per 1 000 Persons	Remote to Non-Remote Ratio
Parenting Payment Single ¹	64.51	52.44	0.81
Parenting Payment Partnered ¹	12.20	30.83	2.53
FACS Use ²	30.6	45.3	1.48

1. Productivity Commission Report on Overcoming Indigenous Disadvantage 2009, Table 8A.4.20.

2. Northern Territory Department of Health and Families administrative data. Based on active child protection cases in the Northern Territory as at 1 July 2008. Excludes clients with unknown Indigenous status.

The Victorian data implies that Indigenous families receiving PPS are far more likely to be FACS clients than other Indigenous families. Centrelink data shows that the proportion of Indigenous people in remote areas on PPS is considerably lower than in non-remote areas. It follows that FACS use by Indigenous people in remote areas should also be lower. However, as shown in Table 1 this is not the case.

The data in Table 1 is consistent with AIHW data which shows that the jurisdiction with the highest proportion of remote Indigenous people (the Northern Territory) has the lowest proportion of FACS clients residing with single parent families². Based on national AIHW data and the Territory's own service delivery data, the Territory considers the Centrelink profile of remote Indigenous FACS clients is likely to contain a significantly lower proportion of PPS recipients than is the case for non-remote Indigenous FACS clients. The Territory considers it highly likely that remote Indigenous FACS clients would

² Ibid.

be represented by a higher proportion of PPP and possibly Newstart and CDEP beneficiaries³.

However, if the Victorian data is used to derive the Centrelink profile of all Indigenous FACS clients it will overstate the influence of PPS and not appropriately recognise that remote Indigenous clients use other benefits. This materially disadvantages jurisdictions such as the Territory which have a relatively low number of Indigenous PPS recipients due to its above average remote Indigenous population shares.

Commission staff have indicated that they are aware that the allocation of FACS expenses to PPS recipients (along with other pension recipients) may need to be adjusted. Commission staff have also indicated they are considering adjusting the data to recognise that Victoria's distribution of pension recipients differs to the national average. The Territory supports an adjustment of the FACS allocation but considers that simply adjusting Victoria's data to reflect the national average will not adequately address the issue.

A national average distribution of pension recipients will predominately reflect the Centrelink profile of urban Indigenous and non-Indigenous people as these populations will dominate the average by virtue of their greater number. Given the stark differences between the proportion of remote and non-remote Indigenous people on PPS, a national average profile will continue to understate the use of FACS services by remote Indigenous people.

Adjustments based on national average FACS related benefit proportions will also reflect socio-demographic and socioeconomic differences between the states such as the number of children per capita and the proportion of unemployed people. These differences will influence the number of people receiving parenting payments and Newstart but do not necessarily reflect different FACS clients' Centrelink profiles between states.

³ While it is clear that the proportion on PPS would be lower and that remote Indigenous people receive PPP proportionately more, it is unclear whether PPP would be the principal source of income for the purposes of the Commission's methodology.

To address the problems associated with the urban bias, the Territory suggests the Commission consider the following options:

- disaggregate FACS expenses into remote and non-remote FACS and assess different Centrelink profiles for each service; or
- increase the weight applied to CDEP recipients (FACS clients only), using judgement, as a proxy to offset the urban bias resulting from overstating PPS use of FACS by remote Indigenous people; or
- separately assess FACS needs using a simplified 2004 Review methodology.

Given the likely data limitations, the Territory's preference is for a separate assessment of FACS needs within the welfare and housing category using a simplified 2004 Review methodology. AIHW provide contemporaneous use data for Indigenous and non-Indigenous FACS clients, and data from the Territory and the Commission's Centrelink methodology support the existing weights for remote Indigenous and low income clients.

The Territory suggests the existing child care and child youth and support components of the 2004 Review methodology be combined and the SDC age ranges be reduced from 0-14 and 15-17 to 0-17. This would produce a simpler assessment and avoid the need for complex adjustments to the Centrelink profiles of FACS clients. It would also improve the reliability of the assessment considerably as the assessment would not principally rely on data from one jurisdiction.

Remote Indigenous Use

In its response to Position Paper 2008/21 the Territory provided evidence to support the inclusion of a weight for remote Indigenous people to capture their above average use of welfare and housing services. However, Table 13-6 in the Draft Report concludes a remote Indigenous weight is unnecessary as the remote Indigenous overrepresentation ratio in terms of use of welfare and housing services is 1.23 (excluding Indigenous Community Housing (ICHO) dwellings) which is lower than the remote Indigenous use weight of 1.36 implicit in the Centrelink model.

The Territory acknowledges the Commission's arguments in relation to the exclusion of ICHOs. However, the Territory questions whether there is an implicit remote Indigenous use weight of 1.36 in the Centrelink based assessment noting that the following indicate the implicit weight is likely to be considerably lower:

- the comparison ratio of 1.36 derived from the 2004-05 National Aboriginal and Torres Strait Islander Health Survey (NATSIHS) is based on total Centrelink use when not all Centrelink benefits are included in the welfare and housing methodology;
- Productivity Commission data shows that remote Indigenous use of most of the major Centrelink benefits included in the proposed methodology, with the exception of PPP and Newstart, is well below an overrepresentation ratio of 1.36 and in some cases well below one⁴;
- in the Commission's proposed methodology some Centrelink benefits receive a much higher weighting than others and to the extent the higher weighted payments are more urbanised (e.g. PPS), this will reduce any implicit remote Indigenous weight;
- NATSIHS data shows that excluding CDEP, remote Indigenous people are less likely to receive a government pension or benefit. While CDEP has been included in the methodology, the Draft Report indicates the Commission propose to discount it by 50 per cent which will further erode any implicit remote Indigenous weight; and
- there has been a significant reduction in CDEP places since NATSIHS.

The Territory has analysed Productivity Commission data on the use of Centrelink payments by Indigenous status by remoteness⁵ and found that while remote Indigenous people are around 1.56 times more likely than non-remote Indigenous people to receive one of the Centrelink benefits included in the Commission's model, once the Commission's benefit weights are taken into account the implicit remote Indigenous use weight reduces to around 1.12. The Territory's analysis is provided at Attachment A.

⁴ Productivity Commission Report on Overcoming Indigenous Disadvantage 2009.

⁵ Ibid.

To ensure the assessment adequately reflects remote Indigenous use the Territory suggests the Commission separately assess FACS needs (removing the urban bias associated with PPS) and remove the CDEP discounts. The Territory is not aware of any valid conceptual case for discounting CDEP recipients and understands that recent housing data indicates CDEP recipients should receive a similar, if not higher, weighting to Newstart recipients for housing services.

If the adjustments outlined above were implemented the Territory considers any remaining implicit remote Indigenous use weight is likely to be broadly appropriate for non-FACS welfare and housing services.

CDEP and FACS Clients

Recent correspondence from Commission staff advised that South Australia has provided additional data subsequent to the release of the Draft Report that suggests the proposed 50 per cent discount for CDEP recipients using FACS is appropriate. The Territory does not support this conclusion and notes the data is at odds with more comprehensive data on public housing use by Newstart and CDEP recipients that Commission staff have recently obtained, which does not support any discount for CDEP recipients.

The Territory understands South Australia's data only relates to a limited sample of FACS clients (less than 20 per cent). It is also unclear whether the Emergency Financial Assistance Scheme (the element of South Australian FACS to which the data relates) is utilised to the same extent in remote compared to non-remote areas. If the South Australian data predominately represents an urban service, it will reinforce the urban bias in the assessment as CDEP mainly occurs in rural and remote areas.

Notwithstanding the coverage issue, the Territory is also concerned that differences in CDEP take-up between jurisdictions will bias the results. For example, Indigenous people in the Territory are more likely to receive CDEP than Indigenous people in South Australia. Using South Australian data will allocate recipients to other payments such as Newstart which the Territory has less of due to the higher prevalence of CDEP. Treating CDEP recipients

the same as Newstart recipients may address this issue as the Territory considers Newstart is the most likely substitute for CDEP.

Net Assessment of Housing Expenses

The Territory reiterates its concern that assessing housing expenses on a net basis artificially dilutes the impact of expenditure disabilities and results in an assessment which fails to adequately equalise housing need.

As the Territory has previously stated, the capacity to raise housing user charges per dwelling does not generally increase with remoteness, unlike the unit cost of providing housing. As a result, a state with a relatively remote public housing portfolio will have to provide a larger housing subsidy to its housing public trading enterprise than a state with a relatively urban public housing portfolio, all other things being equal.

The Commission appropriately recognise the dilution impact of a net housing assessment on the socio-demographic cost elements by grossing-up the Indigenous dwelling cost weight from 1.25 to 1.50. The Territory considers that all housing expense disabilities, particularly location, should also be grossed-up.