

# HOMELESS AND GENERAL WELFARE — ASSESSMENT RESULTS

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- 1 This Working Paper describes the expenses assessment for Homeless and General Welfare and provides information on its impact on the GST revenue distribution for the 2008 Update. The development of the assessment method is discussed in Volume 4 of the 2004 Review Working Papers.

## DESCRIPTION OF THE CATEGORY

- 2 The Homeless and General Welfare category comprises expenses on administration, inspection, support and operation of general welfare services, not specifically classified to the other welfare categories. More specifically, the category includes expenses on:
  - homeless persons assistance, e.g. Supported Accommodation Assistance Program (SAAP) (other than for children and youth — included in the Family and Child Services category) who are homeless and those who are at risk of homelessness;
  - assistance with rates, income assistance, and other concessions for people (other than the elderly and the disabled — included in Aged and Disabled Services) with inadequate earnings capacity; and
  - alcohol and other drug rehabilitation programs, other welfare services such as prisoners aid, care of refugees, pre-marital education, Indigenous welfare, women's shelters, and miscellaneous social security and welfare services.
- 3 Specific Purpose Payments included in the assessment are Supported Accommodation Assistance Program payments.
- 4 Table 1 shows the average gross expenses for the last six financial years. In 2006-07, the Australian average expense for this category was \$77.64 per capita, which represented 1.21 per cent of total State average expenses. In 2006-07, user charges accounted for 6.95 per cent of average gross expenses associated with this category. User charges for this category are assessed by the equal per capita method.

**Table 1 Homeless and General Welfare, average gross expenses and user charges, 2001-02 to 2006-07**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average expenses (\$pc)	70.90	68.00	76.08	74.99	74.37	77.64
% of total State average expenses	1.37	1.27	1.40	1.32	1.24	1.21
Average user charges (\$pc)	3.12	3.41	3.97	5.50	6.44	6.95
% of average category expenses	4.40	5.02	5.22	7.33	8.66	8.95

Source: Assessment System, U2008 GST/Expenses/ Health and Community Services/Homeless and General Welfare/Tables and Chart/Average Expenses

## ASSESSMENT METHOD

### Description of the assessment

- 5 The Homeless and General Welfare assessment for the 2008 Update was undertaken using three components: fixed costs, supported accommodation assistance program (SAAP) and other welfare services.
- 6 The expenses assessment method for the 2008 Update was the same as for the 2004 Review.
  - Fixed costs were assessed using the general method. (For more information, please refer to the Working Papers on Administrative scale and Input costs.)
  - The expenses for the SAAP were assessed using four factors: socio-demographic composition (with use rates based on SAAP users data for all Australia dissected by age, gender and Indigeneity, and Census data on the age, gender, Indigeneity, English fluency and remoteness characteristics of the low income population of each State); the use of ACT services by New South Wales residents; population dispersion; and input costs.
  - The expenses for other welfare services were assessed using the same factors as for the SAAP, but with an additional cost weight in the socio-demographic composition factor to take account of the humanitarian refugee settler profile in each State.

### Assessment structure

- 7 Table 2 summarises the assessment structure for the 2008 Update. It summarises the components, component weights and factors assessed for this category in 2006-07.
- 8 The proportions of expenses affected by fixed costs were estimated using the general method.
- 9 Component weights for the SAAP and other welfare services components were derived from ABS GFS data and Commonwealth SAAP Specific Purpose Payments (SPPs).

### Calculating the category factor

- 10 Table 3 shows the calculation of the category factor for 2006-07.

**Table 2 Homeless and General Welfare, assessment structure for the 2008 Update, 2006-07**

Expense component	Component weight	Factors	Basis of calculation
	%		
Fixed costs	0.43	Administrative scale	General method
		Input costs	General method with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
Supported accommodation assistance program (SAAP)	26.19	Socio-demographic composition	Based on the low income population aged 12-14, 15-19, 20-24, 25-29, 30-39 and 40 plus years. Differential age/sex and Indigeneity use weights were applied for each sub-group population. Cost weights were applied for remote Indigeneity and low English fluency.
		Dispersion	General method
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 0.5% for electricity.
		Cross-border	Assessed for New South Wales and the ACT by the general method.
Other welfare services	73.38	Socio-demographic composition	Based on low income population aged 0-14, 15-59 and 60 plus years. Differential use weights were used for each sub-group population. Cost weights were applied for remote Indigeneity, low English fluency and humanitarian refugees.
		Dispersion	General method
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 0.5% for electricity.
		Cross-border	Assessed for New South Wales and the ACT by the general method.

**Table 3 Homeless and General Welfare, derivation of category factor for the 2008 Update, 2006-07**

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Fixed costs (component weight = 0.43 %)</b>								
Administrative scale	0.37241	0.49408	0.61736	1.22628	1.61936	5.19306	7.58308	14.03500
Input costs	1.02528	0.99212	0.98387	0.99199	0.97579	0.95664	1.01939	1.01769
Component factor	0.38182	0.49019	0.60740	1.21645	1.58015	4.96790	7.73013	14.28324
<b>A Wgtd comp factor</b>	<b>0.00166</b>	<b>0.00212</b>	<b>0.00263</b>	<b>0.00527</b>	<b>0.00685</b>	<b>0.02153</b>	<b>0.03351</b>	<b>0.06191</b>
<b>SAAP (component weight = 26.19 %)</b>								
Socio-demographic composition								
Cross border	0.99129	1.00000	1.00000	1.00000	1.00000	1.00000	1.17519	1.00000
Dispersion	0.99988	0.99943	1.00046	1.00073	0.99950	0.99937	0.99779	1.01047
Input costs	1.02223	0.99260	0.98661	0.99340	0.97798	0.96077	1.01693	1.01515
Component factor	1.01041	0.90043	0.97727	1.01595	0.97736	1.05000	0.79826	3.71841
<b>B Wgtd comp factor</b>	<b>0.26465</b>	<b>0.23584</b>	<b>0.25597</b>	<b>0.26610</b>	<b>0.25599</b>	<b>0.27502</b>	<b>0.20908</b>	<b>0.97393</b>
<b>Other welfare (component weight = 73.38 %)</b>								
Socio-demographic composition								
Cross border	0.99121	1.00000	1.00000	1.00000	1.00000	1.00000	1.17809	1.00000
Dispersion	0.99988	0.99943	1.00046	1.00073	0.99950	0.99937	0.99779	1.01047
Input costs	1.02223	0.99260	0.98661	0.99340	0.97798	0.96077	1.01693	1.01515
Component factor	1.01626	0.89226	0.98016	1.01103	0.97712	1.08407	0.75547	3.69143
<b>C Wgtd comp factor</b>	<b>0.74606</b>	<b>0.65503</b>	<b>0.71956</b>	<b>0.74222</b>	<b>0.71733</b>	<b>0.79584</b>	<b>0.55461</b>	<b>2.70997</b>
<b>Category factor</b>	<b>1.01237</b>	<b>0.89300</b>	<b>0.97816</b>	<b>1.01359</b>	<b>0.98017</b>	<b>1.09239</b>	<b>0.79720</b>	<b>3.74581</b>

Note: For each component, the component factor is calculated using the formula in the following paragraph. The weighted component factor is the component factor multiplied by the component weight. This is then population weighted to ensure that the sum of assessed expenses equals average expenses. The category factor = (A + B + C).

Source: Assessment System, U2008 GST/Expenses/ Health and Community Services/Homeless and General Welfare/Assessed Expenses/ Homeless and General Welfare Standardised Expenditure

11 The category factor was calculated as follows:

$$\text{category factor} = \text{fixed costs} + \text{supported accommodation assistance program} + \text{other welfare.}$$

where

$$\text{fixed costs} = 0.0043 * [\text{administrative scale} * \text{input costs}]$$

$$\text{SAAP} = 0.2619 * [\text{SAAP socio-demographic composition factor} * \text{SAAP cross border factor} * (\text{dispersion} + \text{input costs} - 1)]$$

$$\text{other welfare} = 0.7338 * [\text{other welfare socio-demographic composition factor} * \text{other welfare cross border factor} * (\text{dispersion} + \text{input costs} - 1)]$$

12 In each case, the component contributions to the category factor were calculated as the expense component weight (the percentages above) multiplied by the component factors (the bracketed

terms in the formulas). Each contribution to the category factor was then rescaled to ensure that the sum of assessed expenses equalled the sum of actual expenses.

## RESULTS FOR 2006-07

- 13 Table 13 at the end of this Working Paper summarises the results of the assessment. It shows the actual and assessed expenses for each State, as well as average expenses, for all years of the 2008 Update.
- 14 Table 4 shows actual, average and assessed gross expenses per capita and the assessed cost of providing services ratio for the assessment in 2006-07. A State's assessed cost of providing services ratio is the ratio of assessed gross expenses per capita to average gross expenses per capita. The assessed cost of service provision ratios are equivalent to the category factors shown in Table 3.

**Table 4 Homeless and General Welfare, assessment results, 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	117.79	44.67	38.25	32.76	150.82	64.66	108.67	227.67	77.64
Assessed expenses	78.60	69.33	75.94	78.69	76.10	84.81	61.89	290.81	77.64
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	101.24	89.30	97.82	101.36	98.02	109.24	79.72	374.58	100.00

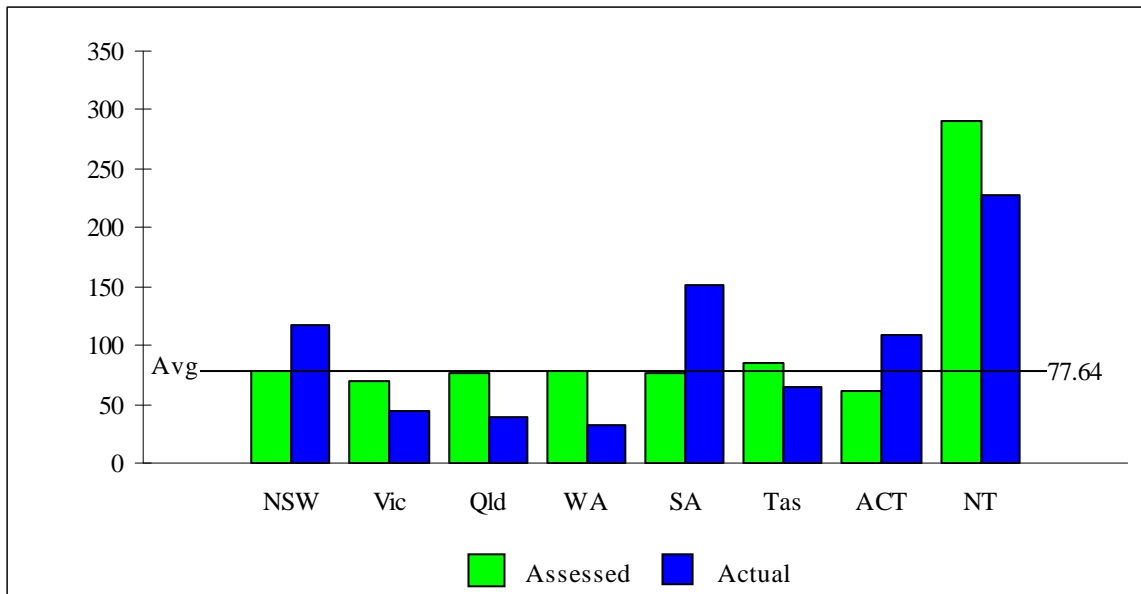
Note: ACT expenses may include municipal expenses

(a) The assessed cost of providing services ratio is the ratio of assessed to average gross expenses per capita.

Source: Assessment System, U2008 GST/Expenses/ Health and Community Services/Homeless and General Welfare/Tables and Chart/ Assessment Results

- 15 Figure 1 illustrates the per capita assessed, actual and average expenses for Homeless and General Welfare for 2006-07. In that year, assessed expenses per capita for Tasmania and the Northern Territory were above the average level of expenses per capita; those for New South Wales, Queensland, Western Australia and South Australia were close to average; while those for Victoria and the ACT were below average.

**Figure 1 Homeless and General Welfare, gross expenses per capita — assessed, actual and average, 2006-07**



Source: Assessment System, U2008 GST/Expenses/ Health and Community Services/Homeless and General Welfare/Tables and Chart/ Expenses Per Capita - Assessed, Actual and Average

**CONTRIBUTION TO GST REVENUE DISTRIBUTION**

16 Table 5 shows the category’s contribution to the distribution of GST revenue and health care grants (hereafter described as GST revenue) implied by the 2008 Update. It also shows the contribution of each factor and component to the total GST revenue distribution.

**Table 5 Homeless and General Welfare, contribution of assessment to GST revenue distribution, 2008 Update**

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Fixed costs</b>									
Administrative scale	-1.6	-1.0	-0.6	0.2	0.3	0.7	0.8	1.0	3.1
Input costs	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Component factor	-1.6	-1.0	-0.6	0.2	0.3	0.7	0.8	1.1	3.1
<b>Other welfare</b>									
Socio-demographic composition	-12.5	-40.9	13.0	7.7	0.7	5.5	-7.4	34.0	60.8
Cross-border	-3.7	0.0	0.0	0.0	0.0	0.0	3.7	0.0	3.7
Dispersion	-0.1	-0.2	0.1	0.1	0.0	0.0	0.0	0.1	0.4
Input costs	11.8	-1.2	-6.1	-1.8	-2.2	-1.1	0.4	0.3	12.5
Component factor	-4.5	-41.8	6.9	6.0	-1.6	4.2	-4.7	35.5	52.5
<b>Supported Accommodation Assistance Program</b>									
Socio-demographic composition	-4.9	-13.7	4.0	2.9	0.3	1.6	-2.4	12.2	21.0
Cross-border	-1.3	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3
Dispersion	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Input costs	4.2	-0.4	-2.2	-0.6	-0.8	-0.4	0.1	0.1	4.4
Component factor	-2.0	-14.0	1.9	2.2	-0.5	1.1	-1.4	12.7	18.0
<b>Redistribution from EPC resulting from the 2008 Update assessment</b>									
	-8.1	-56.8	8.1	8.4	-1.7	6.0	-5.2	49.3	71.8

Note: The redistribution due to the component factors includes the effect of interactions between factors. Therefore the component factor figure may not equal the sum of its factors' redistribution.

Source: Assessment System, U2008 GST/Expenses/ Health and Community Services/Homeless and General Welfare/Tables and Chart/Contribution of Assessment to GST Revenue

### Differences from an equal per capita assessment

- 17 Compared with an equal per capita (EPC) assessment, the 2008 Update redistributed \$71.8 million from New South Wales, Victoria, South Australia and the ACT to the other States. The biggest redistributions were from Victoria and to the Northern Territory.
- 18 Table 5 indicates that the main drivers of the assessment were:
- the socio-demographic profile of each State;
  - the need to pay different amounts for wages, electricity and accommodation in each State captured in the input costs factors; and
  - differences in the per capita cost of providing head office services captured in the administrative scale factor.

- 19 The GST distribution shown in Table 5 is consistent with the socio-demographic composition of the relevant population in each State shown in Table 6. The main driver was the proportion of people in the State on low incomes, in particular those aged 15-39 years, who are Indigenous or female; and numbers of Indigenous people in remote areas.
- 20 Table 6 shows the population sub-groups relevant to the Homeless and General Welfare assessment as a percentage of State/Australian populations. The percentages were derived from 2006 Census data.

**Table 6 Low income population with particular characteristics as a percentage of total State population, 2006 Census**

Sub-groups of the low income population	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Indigenous people	1.09	0.28	1.49	1.84	0.88	1.41	0.39	17.37	1.19
Indigenous females	0.58	0.15	0.80	0.98	0.46	0.76	0.21	8.97	0.63
Remote Indigenous people	0.09	0.00	0.34	0.82	0.15	0.02	0.00	13.90	0.33
Females	16.07	15.88	15.55	14.79	17.56	18.97	9.32	14.13	15.85
People aged 15-39 years	7.96	8.04	7.58	7.41	7.96	8.46	6.75	11.21	7.88
	'000	'000	'000	'000	'000	'000	'000	'000	'000
Total low income pop <sup>a</sup>	1968	1445	1128	533.6	489.7	165.7	55.5	57.7	5843

Source: ABS, 2006 Census, special data request

- 21 The main driver of the high assessed cost of providing services ratio for the Northern Territory was its far greater than average proportion of low income Indigenous people, and in particular a very high proportion of low income Indigenous females. The Northern Territory also has a vastly higher than average proportion of low income Indigenous people living in remote areas — where the cost of service provision is higher. Its proportion of low income people aged 15-39 years, is also higher than average.
- 22 Tasmania's above average assessed cost of providing services ratio was mainly due to its above average proportion of females on low incomes. This is reinforced by its high proportion of low income Indigenous people, particularly Indigenous females.
- 23 Victoria's below average ratio was mainly due to its below average proportion of low income Indigenous people, particularly Indigenous females and an absence of low income Indigenous people living in remote areas.
- 24 The ACT's ratio was below average, due to having below average proportions of its populations in all key population sub-groups.
- 25 New South Wales, Queensland, Western Australia and South Australia's ratios were very close to average, chiefly because, while they have above average proportions of some population sub-groups, they have below average proportions of other sub-groups.

## **CHANGES SINCE THE 2007 UPDATE**

### **Effect of assessment on the distribution of GST revenue**

- 26 Table 7 shows the distribution of GST revenue resulting from the assessments in the 2007 Update and the 2008 Update. The redistribution from EPC resulting from this assessment has fallen considerably – from \$128 million in the 2007 Update to \$72 million in the 2008 Update. Assessed State costs of providing services have converged.
- 27 The table also shows the sources of the changes. The changes in the distribution were brought about because the Commission:
- used revised financial data in the average expenses and other revised data in factor calculations for the years 2001-02 to 2005-06; and
  - replaced 2001-02 average expenses and factors with those of 2006-07 to move forward the five-year period on which GST revenue distribution was based. Moving the five-year period forward in this way ensures the assessments reflect recent trends in State priorities on the services provided and recent trends in State demographic, and economic circumstances on the relative costs of those services.
- 28 With the availability of 2006 Census data, these have now been included in the socio-demographic composition factor calculations for the years 2004-05 through 2006-07, while 2001 Census data have continued to be used in the calculations for the earlier assessment years.

**Table 7 Homeless & general, effect of assessment on GST revenue distribution, 2007 Update to 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Redistribution from EPC resulting from the 2007 Update assessment (a)</b>	-38.3	-84.3	40.2	21.7	-0.6	10.3	-5.1	56.1	128.3
<b>Effect of revising category averages and factors for 2001-02 to 2005-06</b>									
Category average	4.4	9.8	-4.7	-2.5	0.1	-1.2	0.6	-6.5	14.9
Category factors	18.7	10.9	-20.0	-7.5	-1.1	-2.0	-0.5	1.5	31.1
Interactions	-1.7	-1.0	1.8	0.7	0.1	0.2	0.0	-0.1	2.8
Total	21.4	19.7	-22.8	-9.4	-0.9	-3.0	0.1	-5.1	41.2
<b>Effect of replacing 2001-02 category averages and factors with those for 2006-07</b>									
Category average	1.4	3.2	-1.5	-0.8	0.1	-0.4	0.2	-2.1	4.8
Category factors	9.1	5.7	-9.6	-3.8	-0.3	-1.2	-0.4	0.5	15.3
Interactions	-1.7	-1.1	1.8	0.7	0.1	0.2	0.1	-0.1	2.9
Total	8.8	7.8	-9.3	-3.9	-0.2	-1.3	-0.2	-1.7	16.6
<b>Redistribution from EPC resulting from the 2008 Update assessment (a)</b>	-8.1	-56.8	8.1	8.4	-1.7	6.0	-5.2	49.3	71.8
<b>Total effect of revisions and updating (b)</b>	30.2	27.5	-32.1	-13.3	-1.1	-4.3	-0.1	-6.8	57.7

(a) Using the same pool and populations that were used to calculate the 2007 Update redistribution.

(b) This figure shows the change in the amount redistributed among the States between the 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

Source, Assessment System, U2008 GST/Expenses/Health and Community Services/Homeless and General Welfare/Tables and Chart/ Effect of Assessment, Previous Inquiry to Current Inquiry

- 29 The total effect of revisions and updating was to reduce the amount redistributed and to redistribute \$57.7 million across States. The biggest redistributions were from Queensland and to New South Wales and Victoria.
- 30 Table 8 shows the changes in GST revenue attributable to changes in each factor arising from both revisions over the period 2001-02 to 2005-06 and replacing 2001-02 data with 2006-07 data.

**Table 8 Homeless & general, effect of assessment on GST revenue distribution by factor, 2007 Update to 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Fixed costs</b>									
Administrative scale	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other welfare</b>									
Socio-demographic composition	25.5	19.8	-26.0	-10.5	-1.6	-3.5	0.7	-4.3	45.9
Cross-border	0.5	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	0.5
Dispersion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1
Input costs	-3.2	-0.5	2.6	0.7	0.6	0.3	-0.1	-0.3	4.1
<b>Supported Accommodation Assistance Program</b>									
Socio-demographic composition	8.5	7.1	-8.9	-3.6	-0.5	-1.2	0.2	-1.5	15.7
Cross-border	0.2	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	0.2
Dispersion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Input costs	-1.1	-0.2	0.9	0.2	0.2	0.1	0.0	-0.1	1.5

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Homeless and General Welfare/Tables and Chart/Effect of Assessment by Factor, Previous Inquiry to Current Inquiry

- 31 The main reasons for the changes in GST revenue distribution between the two updates are explained in more detail in the following sections.

### Changes due to revising average expenses and factors for years 2001-02 to 2005-06

#### *Revising average expenses*

- 32 For this category, average expenses were revised downwards substantially. This resulted in a GST revenue redistribution of \$14.9 million, with increases in the GST revenue shares of the States assessed to have below average 2001-02 costs of providing services ratios (New South Wales, Victoria, South Australia and the ACT) and decreases for the other States.
- 33 The revisions largely resulted from two sets of revisions. Victorian community service obligation expenses data for Electricity and Gas, Water and Sanitation were reclassified from this category to the PTE categories for all assessment years — an average annual revision approaching \$150 million. There was also a major reclassification of Queensland expenses from the Homeless and general welfare category to the Aged and disabled category — by an average of in excess of \$100 million per year. This latter effect was diluted somewhat by a reclassification in the other direction of \$121 million of New South Wales expenses for 2004-05.
- 34 Table 9 shows the average expenses for the six financial years of this update and those of the previous update. The category also includes user charges, which are assessed equal per capita. They are not discussed in this paper because they have no effect on redistributions.

**Table 9 Homeless & general, average expenses used in the 2007 and 2008 Updates**

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2008 Update		70.90	68.00	76.08	74.99	74.37	77.64
2007 Update	75.41	77.75	81.05	89.07	83.03	81.92	
Difference	-	-6.85	-13.05	-12.99	-8.05	-7.56	-

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Homeless and General Welfare/Tables and Chart/Average Expenses Used in the 2007-08 Updates

#### Revising category factors

- 35 A significant redistribution of GST (\$31.1 million) occurred as a result of revisions to category factors. The redistributions were essentially due to the effect of incorporating 2006 Census data (Table 10).

**Table 10 Homeless and general welfare, GST revenue redistributions resulting from revisions to category factors**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust.
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Total redist <sup>n</sup>	18.7	10.9	-20.0	-7.5	-1.1	-2.0	-0.5	1.5	31.1
Impact of Census	19.2	11.6	-20.1	-7.8	-1.1	-2.1	-0.6	0.9	31.7
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Total redist <sup>n</sup> net of Census impact	-0.07	-0.14	0.04	0.13	-0.01	0.26	0.18	2.99	0.06

Source: Assessment System, U2007 GST 2006 Census Data/Expenses/Health and Community Services/Homeless & General Welfare/Tables and Chart/4160 E Effect of Assessment, Previous Inquiry to Current Inquiry; U2008/Expenses/Health and Community Services/Homeless & General Welfare/Tables and Chart/4160 E Effect of Assessment, Previous Inquiry to Current Inquiry

- 36 The measured share of State populations who are aged 15-39 and on low incomes declined in all States, but the fall was strongest in Queensland, Western Australia and Tasmania, and weakest in New South Wales and Victoria. This was also the case for the 15-39 female low income population — with a relatively strong fall also in the case of the ACT. The Queensland and Western Australian 15-39 low income proportions changed from being above to below the Australian average while that for New South Wales and Victoria changed from below to above. (For the 2001 Census, low income was defined as incomes less than \$31200 for families/\$20800 for individuals in non-family households, while for the 2006 Census it was defined as incomes less than \$33800/\$20800.)
- 37 Table 11 shows for each State the proportion of the 15-39 low income population segment in the total population for the 2006 and 2001 Censuses. This population segment — and, within it, the 15-39 female low income population — was the main population segment driving changes in category expenses. Consequently, Queensland, Western Australia, Tasmania and the ACT experienced the largest decline in their per capita shares of GST revenue. The Northern Territory experienced the largest increase, as a result of an increase in the share of its Indigenous 15-39 low income population segment (the segment with the highest use rates). A

decline in Indigenous use rates resulting from the incorporation of the 2006 Census data had a negative impact on the Northern Territory, but not enough to offset the 15 to 39 population effect. At the same time, the Indigenous use rate increased in 2005-06 as a result of the incorporation of updated data on the proportion of Indigenous SAAP clients, leading to a further redistribution towards the Northern Territory.

**Table 11 State Shares of low income 15-39 year old population in total population**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
2006 Census	8.0	8.0	7.6	7.4	8.0	8.5	6.7	11.2	7.9
2001 Census	8.6	8.7	10.4	10.0	9.6	11.2	8.3	12.8	9.3
Change	-0.7	-0.6	-2.8	-2.5	-1.6	-2.8	-1.6	-1.6	-1.4

Source: ABS, 2006 and 2001 Censuses, special data request

### Changes in State circumstances — replacing 2001-02 with 2006-07 data

38 Table 12 shows the actual expenses and implied costs of service provision for 2001-02, the year that drops out of the assessment period, and 2006-07, the year that comes in, for the 2008 Update assessment.

#### *Replacing average expenses*

39 Since 2001-02, State spending on this function has increased by 16.9 per cent, below the 43.9 per cent growth in the GST pool. The category therefore became less important to the calculation of relativities, resulting in a lesser redistribution of GST revenue (\$4.8 million). In consequence, GST revenue shares increased in States with below average 2001-02 costs of providing services ratios — notably Victoria and the ACT — and decreased in States with above average costs — Queensland, Western Australia, Tasmania and the Northern Territory.

**Table 12 Homeless & general, actual expenses and assessed cost of providing services, 2001-02 and 2006-07**

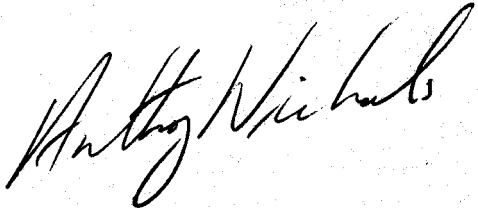
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2001-02	102.36	52.32	50.08	25.43	108.66	33.52	44.50	143.36	70.90
2006-07	117.79	44.67	38.25	32.76	150.82	64.66	108.67	227.67	77.64
	%	%	%	%	%	%	%	%	%
Change between 2001-02 and 2006-07									
	15.07	-14.63	-23.63	28.85	38.80	92.92	144.20	58.80	9.50
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	67.24	59.57	77.62	78.39	70.26	85.87	61.20	257.33	70.90
2006-07	78.60	69.33	75.94	78.69	76.10	84.81	61.89	290.81	77.64
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	94.83	84.02	109.48	110.56	99.10	121.11	86.31	362.94	100.00
2006-07	101.24	89.30	97.82	101.36	98.02	109.24	79.72	374.58	100.00

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Homeless and General Welfare/Tables and Chart/Assessment Data, Year 0 and Year 5

#### *Replacing category factors*

- 40 For New South Wales, Victoria and the Northern Territory, the 2006-07 cost of providing services ratios were higher than the 2001-02 ratios. Replacing the category factors therefore increased their shares of GST revenue (by \$15.3 million). Replacing the category factors reduced the shares of the other States. The New South Wales cost of providing services ratio moved from below the average to just above the average while that for Queensland moved in the opposite direction.
- 41 The observed changes were largely driven by the incorporation of 2006 Census data into the socio-demographic composition factors (see earlier discussion). The 2006 Census data were included in the factor calculations for the years 2004-05 through 2006-07 (i.e two years were reflected in the revision effect while one year was reflected in the replacement effect).

This working paper was prepared by the Expense — Health and Welfare section of the Commonwealth Grants Commission. If you have any questions about its content please contact Anthony Nichols on (02) 6229 8858 or Anthony.Nichols@cgc.gov.au.

A handwritten signature in black ink, reading "Anthony Nichols". The signature is written in a cursive style with a large initial 'A' and 'N'. The signature is set against a light, textured background that appears to be a scan of a document.

Date: 29/2/08.

**Table 13 Assessment of expenses, Homeless & general welfare**

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
<b>Average Expenses</b>		68.00		76.08		74.99		74.37		77.64
New South Wales										
Assessed difference	- 24.750	- 3.72	- 26.937	- 4.02	9.762	1.45	8.075	1.19	6.583	0.96
Expenses - Assessed	427.650	64.28	482.235	72.06	514.627	76.44	512.951	75.56	538.847	78.60
Actual	734.636	110.42	788.363	117.80	798.977	118.67	769.000	113.27	807.563	117.79
Victoria										
Assessed difference	- 55.670	- 11.37	- 58.949	- 11.89	- 36.474	- 7.27	- 39.595	- 7.78	- 42.929	- 8.31
Expenses - Assessed	277.216	56.63	318.113	64.19	339.917	67.72	339.006	66.59	358.262	69.33
Actual	129.100	26.37	195.700	39.49	204.100	40.66	226.500	44.49	230.826	44.67
Queensland										
Assessed difference	25.185	6.68	27.809	7.20	- 9.951	- 2.52	- 8.998	- 2.22	- 7.013	- 1.70
Expenses - Assessed	281.372	74.69	321.685	83.28	286.728	72.47	292.103	72.14	314.064	75.94
Actual	119.985	31.85	124.000	32.10	115.000	29.07	139.980	34.57	158.190	38.25
Western Australia										
Assessed difference	14.646	7.56	15.128	7.69	- 0.296	- 0.15	1.051	0.52	2.197	1.06
Expenses - Assessed	146.464	75.56	164.870	83.77	149.677	74.84	152.656	74.88	163.840	78.69
Actual	50.215	25.90	57.215	29.07	66.885	33.44	68.918	33.81	68.217	32.76
South Australia										
Assessed difference	- 0.852	- 0.56	0.073	0.05	- 1.995	- 1.29	- 2.070	- 1.33	- 2.427	- 1.54
Expenses - Assessed	102.939	67.44	116.954	76.13	113.983	73.70	113.979	73.04	119.978	76.10
Actual	249.784	163.65	282.732	184.04	248.184	160.47	234.399	150.21	237.792	150.82
Tasmania										
Assessed difference	6.897	14.52	7.740	16.10	3.479	7.18	3.510	7.19	3.527	7.17
Expenses - Assessed	39.200	82.52	44.311	92.18	39.833	82.16	39.836	81.55	41.697	84.81
Actual	16.872	35.52	18.395	38.27	21.578	44.51	26.278	53.80	31.789	64.66
Australian Capital Territory										
Assessed difference	- 3.218	- 9.93	- 3.720	- 11.40	- 4.925	- 14.99	- 4.963	- 14.94	- 5.301	- 15.74
Expenses - Assessed	18.824	58.07	21.098	64.68	19.711	60.00	19.744	59.43	20.839	61.89
Actual	11.000	33.94	22.000	67.44	23.000	70.01	20.000	60.20	36.587	108.67
Northern Territory										
Assessed difference	37.763	189.35	38.855	193.40	40.401	197.78	42.992	205.98	45.364	213.18
Expenses - Assessed	51.325	257.35	54.141	269.48	55.719	272.77	58.514	280.34	61.886	290.81
Actual	33.398	167.46	35.001	174.22	42.471	207.92	43.714	209.44	48.448	227.67

Note: Refer to Attachment A of the 2008 Update, Relative Fiscal Capacity of States for how these figures are compiled.

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Homeless and General Welfare/Tables and Chart/ Assessment of Expenses