

HOUSING – ASSESSMENT RESULTS

- 1 This working paper describes the expenses assessment for housing and provides information on its impact on the GST revenue distribution for the 2007 Update. The assessment method is discussed in Volume 4 of the 2004 Review Working Papers.

DESCRIPTION OF THE CATEGORY

- 2 The Housing category comprises operating expenses on welfare housing and Indigenous housing, including those of public trading enterprises (PTEs) providing welfare housing services. The category also includes administration costs and explicit interest subsidies paid on State-run home purchase assistance programs, and depreciation of housing stock. Costs attributable to the housing of State public servants are included in the relevant functional category.
- 3 Specific Purpose Payments included in the assessment were Crisis Accommodation Assistance, Assistance for Housing, Commonwealth State Housing Agreement Block Assistance, the Social Housing Subsidy Program, Housing Assistance for Indigenous people, Community Housing, and State Grants for Indigenous purposes.
- 4 Table 1 shows the average gross expenses and user charges for the last six financial years. In 2005-06, the average expenses of \$152.66 per capita represented 2.53 per cent of total State average expenses. In 2005-06, user charges accounted for 59.84 per cent of average gross expenses associated with this category. User charges for this category are assessed differentially, as reported in Volume 4 of the 2007 Update Working Papers. More detail on the user charges assessment can be found in the Housing User Charges Working Paper.

Table 1 Housing, average expenses and user charges, 2000-01 to 2005-06

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Average expenses (\$pc)	131.31	145.23	148.43	155.74	146.19	152.66
% of total State average expenses	2.69	2.82	2.78	2.86	2.57	2.53
Average user charges (\$pc)	79.71	84.28	86.96	82.51	87.71	91.35
% of average category expenses	60.70	58.04	58.58	52.98	60.00	59.84

ASSESSMENT METHOD

Description of the assessment

- 5 The Housing assessment for the 2007 Update was undertaken using six components: fixed costs, public housing management, public housing maintenance, private rental and home purchase assistance, native title and isolation.
- 6 The expenses assessment method for the 2007 Update was the same as for the 2004 Review.
- Expenses for fixed costs, native title and isolation were assessed using the general methods.
 - The expenses for public housing maintenance were assessed using five factors: socio-demographic composition (with use rates based on Census data on public housing and total dwelling numbers, for all Australia, dissected by measures of remoteness, income, Indigeneity and age group; population dispersion; input costs; a building maintenance factor; and the likelihood of natural hazards occurring in each State.
 - The expenses for public housing management were assessed using three factors: socio-demographic composition (calculated as an average of factors based on public housing tenant numbers and public housing dwelling numbers, with some additional cost weights); input costs; and population dispersion.
 - The expenses for private rental and home purchase assistance were assessed using the number of low income private renters paying more than 25 per cent of their income in rent and Census data on numbers of low income households.

Assessment structure

- 7 Table 2 summarises the assessment structure for the 2007 Update. It summarises the components, component weights and factors assessed for this category in 2005-06.
- 8 The proportions of expenses affected by fixed costs, native title and isolation were estimated using the general method.
- 9 Component weights for the public housing management, public housing maintenance and private rental and home purchase assistance components reflected the contribution of the relevant expenses to the category. These weights were derived from expense data from the States.

Calculating the category factor

- 10 Table 3 shows the calculation of the category factor for 2005-06.

Table 2 Housing, assessment structure for the 2007 Update, 2005-06

Component	Component weight	Factors	Basis of calculation
	%		
Fixed costs	1.64	Input costs	General method, with weights of 80 % for wages, 2 % for accommodation and 0.5 % for electricity.
		Administrative scale	General method
Public housing maintenance	55.01	Socio-demographic composition	Calculated by applying use weights derived from Census data to State dwelling numbers dissected by Indigeneity, location, income and age, with a market rent adjustment for low income dwellings. Non-remote Indigenous dwellings received a cost weight of 1.3 and remote Indigenous households received a cost weight of 1.8.
		Input costs	General method, with weights of 20% for wages, 2% for accommodation and 0.5% for electricity.
		Dispersion	General method.
		Building maintenance	Based on a wages input costs factor and a dispersion factor as developed for the Depreciation assessment.
		Natural hazards	To apply natural hazards factor as developed for the Depreciation assessment to 5% of component expenses.
Public housing management	35.76	Socio-demographic composition	An average of factors based on dwellings and factors based on individual tenant numbers. These factors were derived by applying the relevant use weights derived from Census data to, respectively, State dwelling numbers and populations dissected by Indigeneity, location, income and age, with a market rent adjustment for low income dwellings and populations.
		Input Costs	General method, with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
		Dispersion	General method.
Private rental and home purchase assistance	7.47	Socio-demographic composition	Based on the number of low income private renters paying more than 25% of income in rent. A market rent adjustment is applied.
Native title	0.00	Native title	Based on the additional costs incurred by States in the administration of, and compensation claims arising from, the Australian Government <i>Native Title Act 1993</i> (as amended).
Isolation	0.12	Isolation	General method.

Table 3 Housing, derivation of category factor for the 2007 Update, 2005-06

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fixed Costs (component weight = 1.64 %)								
Administrative scale	0.36724	0.49373	0.62197	1.22948	1.61299	5.12238	7.62929	14.58476
Input costs	1.02885	0.99514	0.97511	0.98495	0.97832	0.96027	1.02142	1.02379
Component factor	0.37783	0.49133	0.60649	1.21098	1.57802	4.91888	7.79274	14.93169
A Wgted comp factor	0.00622	0.00809	0.00999	0.01994	0.02598	0.08099	0.12832	0.24587
Public Housing Maintenance (component weight = 55.01 %)								
Socio-demographic composition	0.96377	0.86295	1.07143	1.10915	1.09287	1.05507	0.77395	2.63029
Natural hazards	0.99316	0.99674	0.99936	1.01737	1.01275	1.02880	0.97815	1.01769
Dispersion	0.98445	0.97609	1.00957	1.04289	1.00757	0.99003	0.96948	1.50814
Input costs	1.00993	0.99742	0.99314	0.99570	0.99084	0.98445	1.00601	1.00790
Dispersion construction cost	1.00073	0.99385	1.01523	1.00300	0.97434	0.99540	0.94871	1.08623
Wages input costs	1.01101	0.99867	0.98951	0.99374	0.99271	0.98592	1.00897	1.00925
Component factor	0.96298	0.83108	1.07873	1.16815	1.06863	1.03800	0.70723	4.44562
B Wgted comp factor	0.52244	0.45088	0.58524	0.63375	0.57976	0.56314	0.38369	2.41185
Public Housing Management (component weight = 35.76 %)								
Socio-demographic composition	0.96721	0.87811	1.05361	1.10209	1.03452	0.99355	0.83992	3.04250
Dispersion	0.99942	0.99719	1.00228	1.00358	0.99755	0.99692	0.98915	1.05152
Input costs	1.02885	0.99514	0.97511	0.98495	0.97832	0.96027	1.02142	1.02379
Component factor	0.99455	0.87137	1.02980	1.08946	1.00955	0.95102	0.84881	3.27163
C Wgted comp factor	0.35527	0.31127	0.36787	0.38918	0.36063	0.33973	0.30321	1.16870
Private Rental and Home Purchase Assistance (component weight = 7.47 %)								
Socio-demographic composition	0.98780	0.94373	1.06726	0.95686	1.16841	1.22102	0.64510	0.67264
Component factor	0.98780	0.94373	1.06726	0.95686	1.16841	1.22102	0.64510	0.67264
D Wgted comp factor	0.07375	0.07046	0.07968	0.07144	0.08723	0.09116	0.04816	0.05022
Native Title (component weight = 0 %)								
Native title	0.00000	0.00000	5.09890	0.00000	0.00000	0.00000	0.00000	0.00000
Component factor	0.00000	0.00000	5.09890	0.00000	0.00000	0.00000	0.00000	0.00000
E Wgted comp factor	0.00000	0.00000	0.00004	0.00000	0.00000	0.00000	0.00000	0.00000
Isolation (component weight = 0.12 %)								
Isolation	0.04030	0.07374	0.11575	1.86107	1.08664	2.90754	1.21355	58.91048
Component factor	0.04030	0.07374	0.11575	1.86107	1.08664	2.90754	1.21355	58.91048
F Wgted comp factor	0.00005	0.00009	0.00014	0.00222	0.00130	0.00347	0.00145	0.07034
Category factor	0.95774	0.84079	1.04295	1.11653	1.05491	1.07850	0.86483	3.94697

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 + D + E + F).

11 The category factor was calculated as follows:

$$\text{category factor} = \text{fixed costs} + \text{public housing maintenance} + \text{public housing management} + \text{private rental and home purchase assistance} + \text{native title} + \text{isolation}$$

where

$$\text{fixed costs} = 0.0164 * [\text{administrative scale} * \text{fixed costs input costs}]$$

$$\text{Public housing maintenance} = 0.5501 * [\text{maintenance socio-demographic composition factor} * \text{natural hazards} * (\text{maintenance input costs} + \text{maintenance dispersion} - 1) * (\text{construction costs dispersion} * \text{wages input costs} - 1)]$$

$$\text{Public housing management} = 0.3576 * [\text{management socio-demographic composition factor} * (\text{management dispersion} + \text{management input costs} - 1)]$$

$$\text{Private rental and home purchase assistance} = 0.0747 * [\text{private rental and home purchase assistance socio-demographic composition factor}]$$

$$\text{Native title} = 0.0000 * [\text{native title}]$$

$$\text{Isolation} = 0.0012 * [\text{isolation factor}]$$

12 In each case, the contributions to the category factor were calculated as the expense component weight (the percentages in the table) multiplied by the factors (the bracketed terms in the formulas). Each contribution to the category factor was then re-scaled to ensure that, for each of them, the sum of assessed expenses equalled the sum of actual expenses.

RESULTS FOR 2005-06

13 Table 12 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 2007 Update.

14 Table 4 shows actual, average and assessed expenses per capita and the assessed cost of providing services ratio for the assessment in 2005-06. 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.

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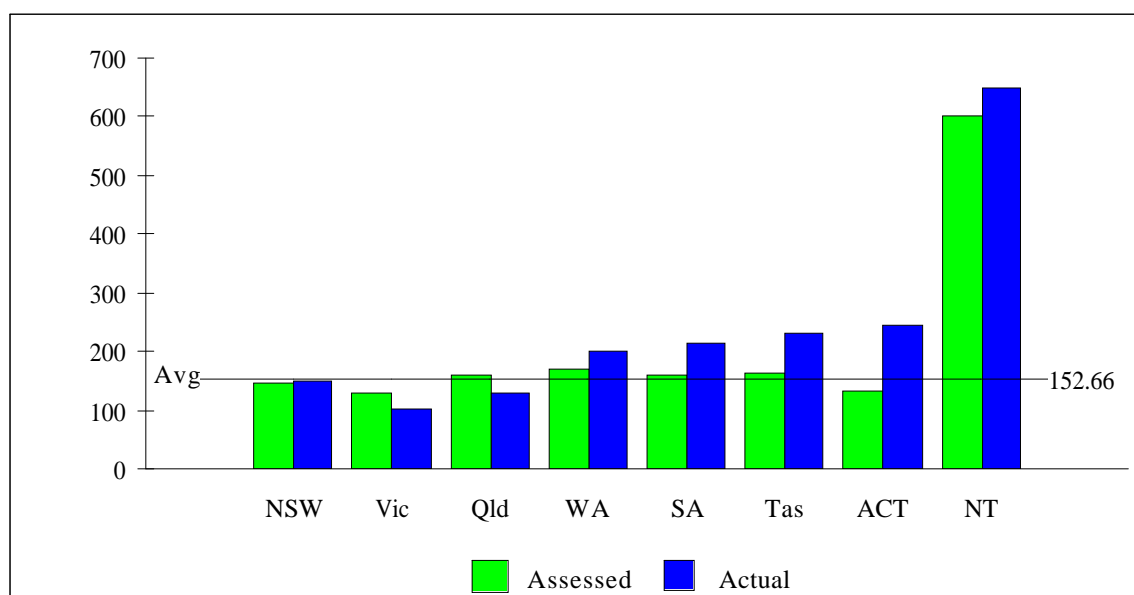
Table 4 Housing, assessment results, 2005-06

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	149.15	103.30	129.80	201.85	214.38	230.72	243.84	649.94	152.66
Assessed expenses	146.21	128.36	159.22	170.45	161.05	164.65	132.03	602.56	152.66
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	95.77	84.08	104.30	111.65	105.49	107.85	86.48	394.70	100.00

Note: ACT expenses may include municipal expenses

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

19 Figure 1 illustrates the per capita assessed, actual and average expenses for Housing for 2005-06.

Figure 1 Housing, gross expenses per capita — assessed, actual and average, 2005-06

CONTRIBUTION TO GST REVENUE DISTRIBUTION

20 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 2007 Update. It also shows the contribution of each factor and component to the total GST revenue distribution.

Differences from an equal per capita assessment

21 Table 5 shows that, compared with an equal per capita (EPC) assessment, the 2007 Update redistributed \$193.0 million away from New South Wales, Victoria and the ACT to the other States.

Table 5 Housing, contribution of assessment to GST revenue distribution, 2007 Update

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed costs									
Administrative scale	-12.0	-7.1	-4.1	1.4	2.6	5.5	5.9	7.8	23.2
Input costs	0.6	0.0	-0.3	-0.1	-0.1	-0.1	0.0	0.0	0.7
Component factor	-11.8	-7.1	-4.3	1.3	2.4	5.3	6.1	8.1	23.1
Public housing maintenance									
Socio-demographic composition	-23.7	-65.9	25.2	23.0	13.4	2.2	-7.2	33.2	96.9
Natural hazards	-4.8	-1.6	0.2	3.5	1.8	1.3	-0.7	0.3	7.1
Dispersion	-10.2	-11.7	3.7	8.4	1.1	-0.5	-1.0	10.1	23.3
Input costs	7.1	-0.2	-3.7	-1.3	-1.4	-0.8	0.2	0.1	7.5
Construction costs	0.5	-3.0	5.9	0.6	-3.8	-0.2	-1.6	1.7	8.7
Wages input costs	8.5	-0.8	-4.8	-1.3	-1.6	-0.7	0.3	0.2	9.1
Component factor	-31.6	-86.4	20.6	31.0	6.8	0.7	-9.6	68.6	127.7
Public housing management									
Socio-demographic composition	-14.0	-38.1	12.0	13.9	3.1	-0.4	-3.4	26.9	55.9
Dispersion	-0.3	-0.9	0.6	0.5	-0.2	-0.1	-0.2	0.7	1.7
Input costs	14.2	-1.0	-7.8	-2.3	-2.7	-1.2	0.5	0.3	15.0
Component factor	-1.0	-40.0	4.2	11.8	0.0	-1.7	-3.2	30.0	45.9
Private rental and home purchase assistance									
Socio-demographic composition	-1.0	-3.5	3.1	-0.9	3.3	1.3	-1.5	-0.8	7.8
Component factor	-1.0	-3.5	3.1	-0.9	3.3	1.3	-1.5	-0.8	7.8
Native title									
Native title	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Component factor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Isolation									
Isolation	-1.3	-0.9	-0.7	0.4	0.0	0.2	0.0	2.4	3.0
Component factor	-1.3	-0.9	-0.7	0.4	0.0	0.2	0.0	2.4	3.0
Redistribution from EPC resulting from the 2007 Update assessment									
Update assessment	-46.7	-138.1	22.9	43.5	12.5	5.7	-8.2	108.3	193.0

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.

- 22 The main driver of this assessment was socio-demographic composition, which recognised the differences in State population characteristics, such as age, Indigeneity, income, and location that drove the use or cost of services. States with above average proportions of their populations who were high and costly users of public housing were assessed to have above average needs.

- 23 Other drivers included:
- input costs, recognising the differences between States in their costs of supplying services, notably their cost of labour;
 - administrative scale, recognising the unavoidable costs each State incurred to have the policy and administrative infrastructure necessary to provide the service, regardless of the size of the task;
 - natural hazards, recognising the differences between States in costs associated with managing the risk of natural hazards arising from differences in their physical environments;
 - dispersion, recognising the differences in maintenance and construction costs associated with the spread of population (including the additional costs for dwellings in remote areas); and
 - isolation, recognising the additional costs incurred by the States, attributable to the distances of States from other State capitals and sources of supply.
- 24 Table 6 shows the number of public housing dwellings and total dwellings. It indicates that there was a greater proportion of public housing dwellings where at least one person was Indigenous, the annual income of residents was low, or the dwellings were in remote areas. Provision rates based on numbers of people in public housing and total populations displayed similar relationships.

Table 6 Public housing dwellings and provision rates^(a), 2001 Census

Dwelling type	Number of public housing dwellings	Total number of dwellings	Proportion that are public housing
Indigeneity			
Indigenous	47 522	155 549	30.6
Non-Indigenous	318 475	6 894 100	4.6
Annual income			
High	78 554	4 532 273	1.7
Low	287 442	2 517 376	11.4
Location			
In highly accessible areas	253 609	4 763 409	5.3
In accessible and moderately accessible areas	93 307	2 109 071	4.4
In remote and very remote areas	19 080	177 169	10.8
Total	365 996	7 049 649	5.2

(a) The factor calculations were based on provision rates broken down by Indigeneity, income, location and age. Source: 2001 Census, Special data request.

- 25 Table 7 shows, for each State, these various dwelling types as a proportion of total dwelling numbers. Those States with greater proportions of dwellings where at least one person was Indigenous, the annual income of residents was low, and/or the dwellings were in remote areas have greater need for GST revenue.

Table 7 Dwelling types as a proportion of total dwelling numbers, 2001 Census

Dwelling type	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Indigeneity									
Indigenous	2.2	0.7	3.1	2.7	1.6	4.3	1.5	17.8	2.2
Non-Indigenous	97.8	99.3	96.9	97.3	98.4	95.7	98.5	82.2	97.8
Annual income									
Less than \$31 200	34.7	34.0	38.2	35.5	40.4	44.9	20.4	27.4	35.7
\$31 200 or higher	65.3	66.0	61.8	64.5	59.6	55.1	79.6	72.6	64.3
Location									
In highly accessible areas	69.4	73.7	54.1	71.6	73.0	35.7	99.8	54.2	67.6
In accessible and moderately accessible areas	29.0	26.1	42.0	21.3	24.3	63.7	0.2	12.8	29.9
In remote and very remote areas	1.5	0.1	3.9	7.1	2.7	0.6	0.0	33.0	2.5

Source: 2001 Census, Special data request.

26 The category factors reflected the following on a State by State basis.

- *New South Wales* — This State required a less than equal per capita share of GST revenue due to a lower than average demand for public housing, because of its relatively lower than average proportions of people in remote areas and people on low incomes, for whom the use of public housing is higher. These effects were partially offset by its higher input costs.
- *Victoria* — This State required the lowest per capita share of GST revenue reflecting the combination of its significantly lower than average proportion of Indigenous people, a high use and cost group, and significantly lower than average proportions of people in remote areas compared with most other States.
- *Queensland* and *Western Australia* — Their greater than equal per capita shares of GST revenue reflected their above average demand for public housing because of high proportions of people in remote areas and Indigenous people.
- *South Australia* — Its greater than equal per capita share of GST revenue reflected its higher than average proportions of people on low incomes and people living in remote areas, who are greater users of public housing.
- *Tasmania* — Tasmania's redistribution mainly reflected its higher than average per capita diseconomies of providing the policy and administrative infrastructure.
- *ACT* — Its less than equal per capita share of GST revenue reflected its relatively lower than average proportion of people in remote areas, people on low incomes and Indigenous people for whom the use of public housing is higher. These effects were partially offset by its higher than average per capita diseconomies of providing the policy and administrative infrastructure.

- *Northern Territory* — The Northern Territory's much larger than equal per capita share of GST revenue resulted from its much higher than average proportions of people living in remote areas and Indigenous people.

CHANGES SINCE THE 2006 UPDATE

Effect of assessment on the distribution of GST revenue

27 Table 8 shows the distribution of GST revenue resulting from the assessments in the 2006 Update and the 2007 Update. It also shows the sources of the changes.

Table 8 Housing, effect of assessment on GST revenue distribution, 2006 Update to 2007 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Redistribution from EPC resulting from the 2006 Update assessment (a)	-46.5	-146.5	20.6	47.8	12.2	5.3	-9.0	116.1	202.0
Effect of revising category averages and factors for 2000-01 to 2004-05									
Category average	1.1	3.6	-0.5	-1.1	-0.3	-0.1	0.2	-2.8	4.9
Category factors	-4.6	0.9	2.6	-1.0	1.0	0.9	0.1	-0.1	5.6
Interactions	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total	-3.4	4.4	2.1	-2.1	0.7	0.8	0.4	-2.8	8.3
Effect of replacing 2000-01 category averages and factors with those for 2005-06									
Category average	1.7	4.1	-0.7	-1.4	-0.4	-0.2	0.3	-3.4	6.1
Category factors	1.7	-0.1	1.2	-1.0	0.0	-0.2	0.2	-1.8	3.1
Interactions	-0.2	0.0	-0.2	0.1	0.0	0.0	0.0	0.3	0.4
Total	3.2	4.0	0.3	-2.2	-0.4	-0.4	0.4	-4.9	7.9
Redistribution from EPC resulting from the 2007 Update assessment (a)	-46.7	-138.1	22.9	43.5	12.5	5.7	-8.2	108.3	193.0
Total effect of revisions and updating (b)	-0.2	8.4	2.4	-4.3	0.3	0.4	0.8	-7.8	12.2

(a) Assuming same pool and a constant population.

(b) The total redistributed amount shows the change in the amount redistributed among the States between the 2006 Update and the 2007 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

28 Changes in the distribution of GST revenue between the 2006 Update and the 2007 Update were brought about because the Commission:

- used revised financial data in the average expenses and other revised data in factor calculations for the years 2000-01 to 2004-05; and
- replaced 2000-01 average expenses and factors with those of 2005-06 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 regarding services provided and recent trends in State demographic, and economic circumstances which affect the relative costs of providing those services.

29 Table 9 shows the changes in GST revenue attributable to changes in each factor arising from both revisions over the period 2000-01 to 2004-05 and replacing 2000-01 data with 2005-06 data.

Table 9 Housing, effect of assessment on GST revenue distribution by factor, 2006 Update to 2007 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed costs									
Administrative scale	0.7	0.3	0.0	-0.1	-0.1	-0.3	-0.3	-0.3	1.0
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1
Public housing maintenance									
Socio-demographic composition	1.6	4.4	-0.1	-2.4	-0.9	0.3	0.5	-3.5	6.8
Natural hazards	0.4	0.1	-0.2	-0.2	0.0	0.0	0.0	-0.1	0.6
Dispersion	1.0	0.8	0.0	-0.4	0.0	0.1	0.0	-1.6	2.0
Input costs	-1.3	0.0	0.9	0.1	0.5	0.0	0.0	-0.3	1.6
Construction costs	0.1	0.2	-0.2	0.0	0.3	0.0	0.1	-0.4	0.6
Wages input costs	-1.3	0.0	0.9	0.1	0.5	0.0	0.0	-0.3	1.6
Public housing management									
Socio-demographic composition	0.7	2.5	-0.1	-1.4	-0.3	0.2	0.3	-1.9	3.6
Dispersion	0.0	0.1	0.0	0.0	0.0	0.0	0.0	-0.1	0.1
Input costs	-2.1	-0.1	1.4	0.2	0.8	0.1	0.0	-0.3	2.5
Private rental and home purchase assistance									
Socio-demographic composition	0.0	0.3	0.0	-0.2	-0.3	0.0	0.1	0.0	0.4
Native title									
Native title	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Isolation									
Isolation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1

30 The 2007 Update has resulted in a \$12.2 million redistribution among the States compared with the 2006 Update. The main reasons for the changes in GST revenue distribution were as follows.

Changes due to revising average expenses and factors for years 2000-01 to 2004-05

- 31 **Revising average expenses.** Downward revisions to the average expenses for 2000-01 to 2004-05 meant that the GST revenue shares increased for those States with below average assessed costs of providing services for this category (New South Wales, Victoria and the ACT). Revisions stemmed mainly on account of the replacement of UPF data with GFS data for 2004-05 and revisions to earlier year data for some States, notably New South Wales and Victoria.
- 32 Table 10 shows the average expenses for the six financial years of this update and those of the previous update.

Table 10 Housing, average expenses used in the 2006 and 2007 Updates

	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2007 Update		131.31	145.23	148.43	155.74	146.19	152.66
2006 Update	124.31	132.51	146.58	155.79	157.76	154.07	
Difference	-	-1.2	-1.3	-7.4	-2.0	-7.9	-

- 33 **Revising category factors.** Revising the category factors has resulted in a \$5.6 million redistribution from New South Wales, Western Australia and the Northern Territory to Victoria, Queensland, South Australia, Tasmania and the ACT. Revisions were in part due to updating the input costs factors which has resulted in redistributions principally towards Queensland and South Australia, and away from New South Wales.
- 34 Revisions to data on the proportion of income units receiving Commonwealth Rent Assistance (CRA) spending more than 30 per cent of their incomes in rent — used as an indicator of housing affordability amongst low income households and hence of the demand for public housing — have had a more sizeable effect than input costs. The Productivity Commission has published a revised time series on this proportion for the period 2000 to 2006. The largest (per capita) redistributions have been to Tasmania and away from Western Australia and the Northern Territory.

Changes in State circumstances — replacing 2000-01 with 2005-06 data

- 35 Table 11 shows the actual expenses and assessed costs of service provision for 2000-01, the year that drops out of the assessment period, and 2005-06, the year that comes in, for the 2007 Update assessment.

Table 11 Housing, actual expenses and assessed cost of providing services, 2000-01 and 2005-06

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2000-01	127.21	109.99	105.65	147.69	218.83	150.98	157.82	336.01	131.31
2005-06	149.15	103.30	129.80	201.85	214.38	230.72	243.84	649.94	152.66
	%	%	%	%	%	%	%	%	%
Change between 2000-01 and 2005-06									
	17.25	-6.08	22.86	36.67	-2.03	52.81	54.51	93.43	16.26
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2000-01	124.90	110.52	135.96	148.38	138.45	142.86	111.68	549.85	131.31
2005-06	146.21	128.36	159.22	170.45	161.05	164.65	132.03	602.56	152.66
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2000-01	95.12	84.17	103.54	113.00	105.43	108.79	85.04	418.73	100.00
2005-06	95.77	84.08	104.30	111.65	105.49	107.85	86.48	394.70	100.00

Note: ACT expenses may include municipal expenses

- 36 **Replacing average expenses.** Between 2000-01 and 2005-06, average per capita expenses increased by 16.3 per cent. This is less than the increase in the per capita GST pool of 43.3 per cent. The category therefore became less important to the calculation of relativities, resulting in a lesser redistribution of GST revenue. This change increased the GST revenue shares of the States assessed to have a lower than average need for spending in this area (New South Wales, Victoria and the ACT) and reduced the GST revenue shares of the other States.
- 37 **Replacing category factors.** For New South Wales, Queensland and the ACT, the 2005-06 cost of providing services ratios were higher than their 2000-01 ratios. Replacing the category factors therefore increased their shares of GST revenue. For Victoria and South Australia, the ratios were little changed. Ratios for the other States were lower, leading to a reduction in their GST shares.
- 38 Changes in public housing provision rates (reflected in the public housing management and maintenance socio-demographic composition factors) have resulted in redistributions mainly to the ACT and away from the Northern Territory.
- 39 The changes in assessed use rates were due to changes in the proportion of income units receiving CRA who pay more than 30 per cent of their income in rent. The Northern Territory experienced the largest increase in housing affordability over the period, and hence a significantly reduced assessed need for public housing and also for private rental and home purchase assistance. By 2005-06, it had a slightly lower than average proportion of income units receiving CRA paying more than 30 per cent of their incomes in rent. In 2000-01, it had the second highest — after the ACT — proportion of people paying more than 30 per cent of their income in rent.

40 Changes in input costs have also had an effect on the redistributions. In the case of the Northern Territory, they have served to reinforce the effect of the changes in assessed use rates.

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'.

Date: 23/2/07

Table 12 Assessment of Expenses, Housing

	2001-02		2002-03		2003-04		2004-05		2005-06	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
Average Expenses		145.23		148.43		155.74		146.19		152.66
New South Wales										
Assessed difference	- 36.275	- 5.49	- 35.585	- 5.34	- 39.405	- 5.88	- 39.991	- 5.93	- 43.879	- 6.45
Expenses - Assessed	923.423	139.74	952.893	143.09	1 004.450	149.86	946.091	140.26	994.353	146.21
Actual	904.152	136.82	957.269	143.74	1 037.386	154.77	973.512	144.33	1 014.362	149.15
Victoria										
Assessed difference	- 111.588	- 23.09	- 110.676	- 22.66	- 116.833	- 23.66	- 112.892	- 22.60	- 122.948	- 24.31
Expenses - Assessed	590.170	122.13	614.436	125.78	652.308	132.08	617.289	123.59	649.293	128.36
Actual	597.889	123.73	589.163	120.60	510.106	103.29	518.480	103.81	522.530	103.30
Queensland										
Assessed difference	16.150	4.40	14.364	3.82	18.336	4.77	21.389	5.44	26.332	6.56
Expenses - Assessed	548.999	149.63	572.132	152.25	617.270	160.50	596.178	151.63	639.349	159.22
Actual	420.113	114.50	478.492	127.33	450.374	117.11	465.379	118.37	521.224	129.80
Western Australia										
Assessed difference	35.131	18.36	36.494	18.85	37.565	19.12	34.092	17.09	36.137	17.79
Expenses - Assessed	313.059	163.58	323.925	167.28	343.515	174.86	325.677	163.29	346.252	170.45
Actual	272.511	142.40	292.753	151.18	397.515	202.35	342.309	171.62	410.022	201.85
South Australia										
Assessed difference	9.366	6.18	9.504	6.24	11.267	7.37	11.277	7.34	12.980	8.38
Expenses - Assessed	229.424	151.41	235.496	154.67	249.513	163.10	236.029	153.53	249.361	161.05
Actual	444.761	293.52	352.179	231.31	398.293	260.36	345.409	224.68	331.933	214.38
Tasmania										
Assessed difference	4.921	10.42	4.136	8.71	4.639	9.66	5.035	10.40	5.843	11.98
Expenses - Assessed	73.495	155.65	74.601	157.14	79.420	165.40	75.805	156.59	80.277	164.65
Actual	73.486	155.63	92.500	194.85	108.670	226.31	118.892	245.60	112.491	230.72
Australian Capital Territory										
Assessed difference	- 7.132	- 22.26	- 7.160	- 22.20	- 7.330	- 22.66	- 6.126	- 18.87	- 6.755	- 20.64
Expenses - Assessed	39.396	122.97	40.718	126.23	43.055	133.08	41.349	127.33	43.221	132.03
Actual	49.991	156.04	64.234	199.14	90.700	280.35	84.300	259.59	79.824	243.84
Northern Territory										
Assessed difference	89.427	451.33	88.922	448.53	91.761	461.30	87.218	432.85	92.290	449.90
Expenses - Assessed	118.202	596.56	118.349	596.96	122.740	617.03	116.675	579.04	123.607	602.56
Actual	73.265	369.77	105.961	534.47	119.226	599.37	106.812	530.09	133.326	649.94

Note: ACT expenses may include municipal expenses. Refer to Attachment A, 2007 Update, *Relative Fiscal Capacity of States* for how these figures are compiled.