



COMMONWEALTH GRANTS COMMISSION

DRAFT ASSESSMENT PAPER CGC 2003/33

HOMELESS AND GENERAL WELFARE

Prepared for the Commission's 2003 Conferences on Draft Assessments

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NOTE

Included in this paper are the results of preliminary calculations based on the methods proposed throughout the paper and using the data currently available. Those results are indicative only and should be seen as work in progress. Ongoing changes are being made to standards and factor calculations as new data come to hand. Moreover, the calculations have been done using a prototype assessment system and are subject to ongoing revision as checking processes proceed.

CONTENTS

| | |
|---|----|
| INTRODUCTION | 1 |
| THE 1999 REVIEW ASSESSMENT | 1 |
| Structure of the assessment | 1 |
| Importance of the category | 1 |
| Structure of the assessment | 2 |
| PROPOSED CATEGORY DEFINITION AND ASSESSMENT STRUCTURE | 3 |
| FIXED COSTS COMPONENT | 5 |
| Administrative scale — fixed costs component | 5 |
| Input costs — fixed cost component | 6 |
| SUPPORTED ACCOMMODATION AND ASSISTANCE PROGRAM (SAAP) | 7 |
| Socio-demographic composition — SAAP component | 8 |
| Service delivery scale — SAAP component | 19 |
| Dispersion — SAAP component | 22 |
| Cross-border — SAAP component | 23 |
| OTHER WELFARE COMPONENT | 25 |
| Socio-demographic composition — other welfare component | 25 |
| Input costs — other welfare component | 31 |
| Dispersion — other welfare component | 31 |
| Cross-border — other welfare component | 31 |
| PROPOSED ASSESSMENT STRUCTURE FOR THE 2004 REVIEW — EXPENSES | 33 |
| SUMMARY OF RESULTS | 35 |
| Derivation of the category factor | 35 |
| Standardised expenses | 37 |
| Effect of assessment on grants | 38 |
| USER CHARGES | 39 |

INTRODUCTION

1. This paper presents a draft assessment for the Homeless and General Welfare services category for the 2004 Review. It builds on staff proposals set out in *Discussion Paper CGC 2002/32 Homeless and General Welfare* and State comments on them provided at the 2002 Conferences and in submissions.

THE 1999 REVIEW ASSESSMENT

Structure of the assessment

2. In the 1999 Review, the category was called Other Welfare Services. It comprised expenses administration, inspection, support and operation of welfare services not elsewhere classified. Specifically, it included expenses on:

- (i) alcohol and other drug rehabilitation programs predominantly involving welfare services;
- (ii) other welfare services such as prisoners aid, care of refugees, pre-marital education, homeless persons assistance, Aboriginal welfare and women's shelters; and
- (iii) departments, bureaux or program units that served the social security and welfare system.

3. The only specific purpose payment associated with this category was the Supported Accommodation Assistance Program payment. It was treated by the inclusion method.

Importance of the category

4. Table 1 shows the gross standard expenses for this category in the 2003 Update. In 2001-02, the category standard was \$33.10 per capita; this represented 0.66 per cent of total gross standard expenses.

Table 1 OTHER WELFARE SERVICES — GROSS STANDARD EXPENSES AND USER CHARGES, 1996-97 TO 2001-02

| | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 |
|---------------------------------------|---------|---------|---------|---------|---------|---------|
| Gross standard expenses (\$pc) | 21.48 | 24.80 | 30.02 | 32.63 | 32.68 | 33.10 |
| % of total gross standard expenses | 0.58 | 0.64 | 0.66 | 0.70 | 0.67 | 0.66 |
| Gross standard user charges (\$pc) | 0.86 | 1.62 | 1.80 | 1.99 | 2.04 | 2.10 |
| % of category gross standard expenses | 4.03 | 6.53 | 6.00 | 6.09 | 6.25 | 6.34 |

5. Table 2 shows that, compared with an equal per capita assessment, this category redistributed \$38.2 million in the 2003 Update. The redistribution reduced the grants of New South Wales, Victoria and the ACT.

Table 2 EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION — HOMELESS AND GENERAL WELFARE, GST RELATIVITIES

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Redistribution |
|--|-------|-------|------|-----|-----|-----|------|------|----------------|
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Contribution to 2003 Update relativities | -12.5 | -24.3 | 10.6 | 4.6 | 1.5 | 3.5 | -1.5 | 18.0 | 38.2 |

6. The factors that had the largest impact on grant shares were the two socio-demographic composition factors. Compared with an equal per capita assessment, they redistributed \$35.8 million in the 2003 Update assessment. The redistribution reduced the grants of New South Wales, Victoria and the ACT.

Structure of the assessment

7. Table 3 shows the expenses assessment structure that was used in the 1999 Review.

Table 3 1999 REVIEW ASSESSMENT STRUCTURE — HOMELESS AND GENERAL WELFARE (FORMERLY OTHER WELFARE) SERVICES

| Expenditure component | Component weight | Factors | Basis of calculation |
|---|------------------|-------------------------------|---|
| | % | | |
| Scale-affected expenditure | 2.42 | Input costs | General method with weights of 80% for wages, 2% for accommodation and 1% for electricity. |
| | | Administrative scale | General Method. |
| Supported Accommodation Assistance Program (SAAP) | 41.08 | Dispersion | General Method. |
| | | Input costs | General method with weights of 70% for wages, 2% for accommodation and 1% for electricity. |
| | | Socio-demographic composition | Derived by applying weights to population subsets for age, sex, Indigeneity, low English fluency and low income status. |
| | | Cross-border | Assessed for New South Wales and the ACT by the general method. |
| Other welfare | 56.50 | Dispersion | General Method. |
| | | Input costs | General method with weights of 70% for wages, 2% for accommodation and 1% for electricity. |
| | | Socio-demographic composition | Derived by applying weights to population subsets for age/sex, Indigeneity, low English fluency and low income status. |
| | | Cross-border | Assessed for New South Wales and the ACT by the general method. |

8. User charges for this category consisted of miscellaneous fees and charges. They were assessed by the equal per capita method.

PROPOSED CATEGORY DEFINITION AND ASSESSMENT STRUCTURE

9. **1999 Review.** In the 1999 Review, two service delivery components were defined for this category: Supported Accommodation and Assistance Program (SAAP) and Other Welfare.

10. **Staff proposals.** *Discussion Paper CGC 2002/12 Scope and Structure of the Standard Budget* proposed two changes to this category:

- (i) renaming the category as Homeless and General Welfare to better reflect the range of services that are assessed within this category; and
- (ii) assessing minor miscellaneous State concessions expenses¹ in the category to better align it with the source of financial data — the ABS's Government Financial Statistics (GFS) classification.

11. **State views.** No State commented on either proposal.

12. **Analysis.** *Draft Assessment Paper CGC 2003/60 Administrative Scale* sets out the Commission's decisions on the administrative scale assessment. These decisions have implications for this category.

13. Evidence available from the Australian Institute of Health and Welfare (AIHW) the States and the Productivity Commission supports the separate assessment of SAAP and Other Welfare components². They were the main services provided by States in this area and the disabilities applicable to the SAAP payment were likely to be different from those applicable to other welfare expenses. Including a SAAP and an Other Welfare component would reflect the way States delivered services.

14. A fixed costs component will be introduced, replacing the 1999 Review scale-affected expenses component.

15. The component weight for the fixed costs component was estimated using the general method for the administrative scale factor. The Commission proposes to determine the component weight for SAAP using total Commonwealth and State expenses on the SAAP program. These data were published in the Productivity Commission report. The Commission proposes to set the component weight for other welfare as the balance of category expenses.

16. Commission decisions regarding the category definition, structure and component weights are summarised in Table 4.

¹ Miscellaneous concessions include assistance with funeral benefits, the purchase of spectacles, telephone rental and postal concessions. Concessions associated with electricity, gas, water and transport are allocated to the Economic Activities categories. Municipal rate concessions are included in the Aged and Disabled Services category.

² AIHW, *SAAP National Data Collection, Annual Report 2001-02*. Productivity Commission, *Report on Government services 2001-02*.

Table 4 COMMISSION DECISIONS — CATEGORY DEFINITION, ASSESSMENT STRUCTURE AND COMPONENT WEIGHTS

| Decision | Reason |
|--|--|
| Category name. Changed from <i>Other Welfare Services</i> to <i>Homeless and General Welfare</i> . | This change will better reflect the type of services that are covered under this category. |
| Category definition. Changed to include State expenses on miscellaneous concessions. Expenditure on municipal rate concessions and concessions associated with electricity, gas, water and transport are included in other categories. | This change will better align the category with the GFS classification. |
| Assessment structure and component weights ^(a) . Fixed costs: 0.60% | This component weight has decreased because the assessment of administrative scale is based on fixed costs only (in the 1999 Review the fixed costs element accounted for about 2.42 per cent of the category standard). |
| Supported Accommodation Assistance Program (SAAP): 18.80% | Component weight based on Productivity Commission data showing total Commonwealth and State expenses on the SAAP program. |
| Other welfare: 80.60% | Balance of category. |

(a) Component weights for 2001-02.

FIXED COSTS COMPONENT

17. In the 1999 Review, administrative scale and input cost factors were assessed for this component. *Discussion Paper CGC 2002/32* proposed that these factors would be assessed for the 2004 Review.

Administrative scale — fixed costs component

18. **1999 Review.** The administrative scale factor was assessed to account for differences in per capita costs of providing central office functions and whole of State services. Scale-affected expenses for this category were assessed as \$1.1 million, of which \$0.5 million was considered as fixed cost and \$0.6 million as variable cost. The scale-affected expenses component represented 2.42 per cent of expenses in this category.

19. **2004 Review.** *Draft Assessment Paper CGC 2003/60 Administrative Scale* discusses the issues raised by the States regarding the assessment of this factor. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and on the size of the fixed cost component in each category. The States did not raise issues specific to this category.

20. The Commission has decided that administrative scale will be assessed for this category to recognise the unavoidable costs each State would incur to have the policy

and administrative infrastructure necessary to provide the service regardless of the size of the task.

21. The administrative scale factors for this category, shown in Table 5, have been calculated using the 2004 Review general method. Fixed costs for this category have been estimated to be \$1.1 million per State. The Commission also assessed extra fixed costs of \$0.19 million for the Northern Territory to recognise the extra costs it incurs through the dual policy development tasks it must perform because of the high proportion of Indigenous people in its population. Total fixed costs for the category represent 0.60 per cent of the category standard.

Table 5 ADMINISTRATIVE SCALE FACTORS — FIXED COSTS COMPONENT

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT |
|--------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| 2003 Update | | | | | | | | |
| 2001-02 | 0.68355 | 0.74282 | 0.82334 | 1.17164 | 1.31648 | 2.88560 | 4.09646 | 7.10702 |
| 2004 Review | | | | | | | | |
| 1997-98 | 1.03302 | 0.98766 | 0.98151 | 0.98039 | 0.97094 | 0.93703 | 1.00802 | 1.09279 |
| 1998-1999 | 1.03482 | 0.98866 | 0.97958 | 0.97693 | 0.96902 | 0.93459 | 1.01228 | 1.08820 |
| 1999-2000 | 1.03762 | 0.98781 | 0.97671 | 0.97892 | 0.96546 | 0.92795 | 1.01666 | 1.08353 |
| 2000-01 | 1.03819 | 0.98920 | 0.97482 | 0.97886 | 0.96427 | 0.92509 | 1.01589 | 1.08084 |
| 2001-02 | 1.03714 | 0.99034 | 0.97354 | 0.97996 | 0.96824 | 0.92479 | 1.01291 | 1.07737 |

22. The factor based on estimated resident populations and the component weight will be updated annually.

Input costs — fixed cost component

23. **1999 Review.** The input costs factor was assessed to recognise differences between States in per capita costs of labour, office accommodation and electricity. A separate factor was calculated for each of these inputs. For the scale-affected costs component, those factors were applied to the following proportions of standard expenses:

- (i) wages and salaries 80 per cent;
- (ii) accommodation 2 per cent; and
- (iii) electricity 1 per cent.

24. **2004 Review.** *Discussion Paper CGC 2003/04 Input Costs* discusses the issues raised by the States regarding the assessment of wages and salaries costs. The paper sets out the Commission's proposals for the general method of assessment to be adopted for the 2004 Review and on the size of the standard expense proportions in each category for wages and salaries. *Draft Assessment Paper CGC 2003/79 Input Costs — Electricity and Accommodation* discusses the issues raised by the States regarding the assessment of input

costs relating to accommodation and electricity. The paper sets out the Commission's decisions on the general method of assessment to be adopted for the 2004 Review and on the size of the standard expense proportions in each category for accommodation costs and electricity costs. The States did not raise issues specific to this category.

25. The Commission considered that the prices of labour, accommodation and electricity used in providing homeless and general welfare services differ across States for reasons beyond the control of individual States. It has therefore decided that input costs will be assessed for this component.

26. The input costs factors for the fixed cost component of this category, shown in Table 6, have been calculated according to the 2004 Review general methods. The standard expense proportions applied were 80 per cent for wages and salaries, 2 per cent for accommodation and 1.0 per cent for electricity.

Table 6 INPUT COSTS FACTORS — FIXED COSTS COMPONENT

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT |
|--------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| 2003 Update | | | | | | | | |
| 2001-02 | 1.01952 | 1.00108 | 0.97332 | 1.00453 | 0.97429 | 0.97480 | 1.02073 | 0.99319 |
| 2004 Review | | | | | | | | |
| 1997-98 | 1.03302 | 0.98766 | 0.98151 | 0.98039 | 0.97094 | 0.93703 | 1.00802 | 1.09279 |
| 1998-99 | 1.03482 | 0.98866 | 0.97958 | 0.97693 | 0.96902 | 0.93459 | 1.01228 | 1.08820 |
| 1999-2000 | 1.03762 | 0.98781 | 0.97671 | 0.97892 | 0.96546 | 0.92795 | 1.01666 | 1.08353 |
| 2000-01 | 1.03819 | 0.98920 | 0.97482 | 0.97886 | 0.96427 | 0.92509 | 1.01589 | 1.08084 |
| 2001-02 | 1.03714 | 0.99034 | 0.97354 | 0.97996 | 0.96824 | 0.92479 | 1.01291 | 1.07737 |

27. The factors will be updated annually. The proportions represented by wages and salaries, accommodation and electricity will not be re-examined until the next review.

SUPPORTED ACCOMMODATION AND ASSISTANCE PROGRAM (SAAP)

28. The Supported Accommodation and Assistance Program (SAAP) component covers expenses on transitional supported accommodation and a range of support services to help people, other than children and youth, who are homeless or at risk of homelessness as a result of crisis³. The Commonwealth and States jointly fund SAAP with the Commonwealth providing around 60 per cent of total expenses and the States the remainder. The Commonwealth SPP is treated by inclusion. The services are primarily delivered by non-government agencies with some local government participation. State governments

³ Services for homeless children and youth are included in the Family and Child Services category.

have responsibility for the day to day management of SAAP, including distribution of funds to agencies which provide the services.

Socio-demographic composition — SAAP component

29. ***1999 Review.*** In the 1999 Review, the socio-demographic composition factor for this component was based on the number of low-income people in each State. Different use and cost weights were applied to selected population groups.

- (i) Differential age/sex weights were applied for age bands 0-14, 15-19, 20-24, 25-29, 30-39 and 40 plus. These weights were based on SAAP client usage patterns obtained from the SAAP National Data Collection.
- (ii) A cost weight of 1.5 was applied to people with low English fluency to account for costs associated with interpreting and translating services. This weight was based on judgement.
- (iii) A use weight of six was applied to the Indigenous population. This weight was derived from SAAP client usage data contained in the SAAP National Data Collection.
- (iv) A cost weight of 1.25 was applied to Indigenous people living in remote areas in the recognition of the higher costs of providing services to this group because of cultural and traditional lifestyle influences. This weight was based on information provided in State submissions and workplace discussions and indicators of socio-economic disadvantage within the Indigenous population.

30. ***Preliminary State views.*** The issues raised by States in their main submissions for the 2004 Review focused on whether:

- (i) low-income status should remain as the measure of socio-economic status;
- (ii) whether the cost weight for low-English fluency should be changed; and
- (iii) whether the cost weight for Indigenous people in remote areas should be changed.

31. ***Socio-economic status.*** In the 1999 Review, the Commission measured socio-economic status using the number of low-income people in each State⁴. Tasmania said that the ABS's Socio-economic Indexes for Areas (SEIFA) would be a better indicator of socio-economic status than just income status. It said that SEIFA would more

⁴ The low-income population was defined as those families with annual incomes less than \$26 000 and individuals with income less than \$15 600 in the 1996 Census.

comprehensively reflect the range of socio-economic influences on the demand and cost of government services because these indexes combine a number of factors that define the relative socio-economic status of each State's population.

32. The ACT wanted the factor to be based on the actual number of SAAP clients in each State.

33. *Weight for Culturally and Linguistically Diverse Populations (CALD).* Victoria argued that the weight applied to people using SAAP services who come from a non-English speaking background should be increased from 1.5 to 5.0. It said that the 15.7 per cent of its SAAP clients came from a non-English speaking background. This was larger than the proportion of the Australian population with low English fluency (3.1 per cent).

34. Tasmania proposed discounting the 1.5 weight where services were provided to population groups with large numbers of low English fluency people. It said the costs of delivering services to them were less than in smaller communities where it was difficult to find people with appropriate knowledge or background to provide assistance to people with different cultural and language backgrounds.

35. *Weight for Indigenous population.* No State commented on the use weight of six applied to the Indigenous population.

36. *Weight for Indigenous population in remote areas.* Victoria expressed its concern about the possibility of double counting between this assessment and the housing assessment, particularly in the weights applied to Indigenous people living in remote areas.

37. **Staff proposal.** *Socio-economic status.* In *Discussion Paper CGC 2002/32 Homeless and General Welfare*, Commission staff said SEIFA — even a more targeted SEIFA — was not a better measure of the impact of socio-economic status on the demand for welfare services. Commission staff were concerned that the number of SAAP clients in each State was policy influenced and could not be used as the basis for measuring States disabilities.

38. Staff proposed to investigate the feasibility of devising a direct measure of need applying Australian average use rates to the population of each State. In the interim, staff proposed continuing to use the number of low-income people as the target population for this component.

39. *Weight for CALD.* In *Discussion Paper CGC 2002/32 Homeless and General Welfare*, Commission staff accepted that States could experience higher costs when delivering services to CALD populations. Commission staff said the 1.5 weight was based on data from the 1999 Review on the additional costs of providing interpreting and related services. They asked States to supply information on the services provided to SAAP users with non-English speaking backgrounds that were additional to interpreter and translating services.

40. Regarding the use of SAAP services by CALD people, staff noted data from the SAAP National Data Collection that showed that the use of SAAP services by people born in non-English speaking countries was below the average use.

41. *Weight for the Indigenous population in remote areas.* In *Discussion Paper CGC 2002/32 Homeless and General Welfare*, Commission staff proposed retaining the current weight of 1.25 for Indigenous users of SAAP services in remote areas to recognise the extra cost associated with their traditional lifestyle and cultural practices. They asked States to provide information on the cost of providing SAAP services to Indigenous people living in urban, rural and remote areas.

42. *Further State views. Socio-economic status.* The ACT reiterated its proposal to use the number of SAAP clients in each State. It said actual client data had minimal State policy influence because the policies for SAAP services were determined at the national level through the SAAP Memorandum of Understanding (MOU) signed by the Commonwealth and the States. It said using actual data would reflect the changing needs of States' populations and remove the need to apply use weights for sub-sets of the population.

43. The Northern Territory did not support the use of SEIFA as a measure of socio-economic status. It said that there is no simple way to relate SEIFA scores to degrees of demand for government services because SEIFA is an ordinal index. Further, it said that it would be difficult to avoid double counting if SEIFA were to be combined with other socio-demographic composition factors.

44. *Weight for CALD.* Queensland said that a use rate lower than one should be applied to the CALD population in line with AIHW data which showed use by this group to be about 60 per cent of average use and that a cost weight of 1.5 or less would be appropriate for this group. Queensland does not incur additional costs in providing SAAP services to CALD clients apart from expenses associated with provision of interpreting and translating services.

45. Western Australia did not support the assessment of a higher cost weight for CALD people. It supported Tasmania's argument that there were economies of scale available when providing services to large low English fluency groups. It noted that it was difficult to justify increasing the weight unless evidence was provided to show small cultural groups required higher levels of support.

46. Tasmania supported a cost weight for low English fluency but thought it should be discounted to reflect the economies of scale achievable with larger CALD population groups.

47. The Northern Territory said that the current cost weight for CALD people was appropriate. It said that Victoria's proposed weight of 5 was overstated.

48. *Indigenous population use weight.* Queensland argued that the current Indigenous weight should be increased from six to seven.

49. The Northern Territory said that it had the highest use of SAAP services and the majority of its clients were Indigenous. In addition to language difficulties, Indigenous

SAAP clients required additional time and resources for a range of reasons. In the Northern Territory, the average cost per SAAP client receiving accommodation and support services was \$67 per day compared with an Australian average of \$39 per day.

50. *Weight for the Indigenous population in remote areas.* Queensland said that the cost weight for Indigenous people in remote areas should be equivalent to the cost weight for the low-English fluency group as the cultural and language barriers for Indigenous people in remote areas (those with more traditional lifestyles) incur similar costs. It argued that providing services to Indigenous people in remote areas was more expensive because they required additional support needs due to their poor socio-economic status, poor health status, drug and alcohol issues, and complexity of need. In addition, lack of both public housing and private rental accommodation options for Indigenous people placed extra pressure on SAAP services.

51. Western Australia argued that higher use of SAAP services by Indigenous women, particularly women escaping domestic violence, imposed additional costs on the delivery of basic material support to this group. In addition, the high costs of household goods and clothes in remote areas imposed additional costs in providing services in those areas.

52. *Length of stay.* The ACT argued that the high cost of the private rental market, a lack of low-cost alternative accommodation and a highly transient population forced ACT SAAP clients to have longer lengths of stay within SAAP accommodation. This led to a higher cost per SAAP client in the ACT. The ACT submitted that it incurred an average cost of \$3 010 per episode of support compared with a national average of \$1 360 per episode.

53. *Analysis — socio-economic status.* We do not think a conceptual case for using ABS SEIFA as the measure of socio-economic status has been established. The SEIFA indexes are broad measures of socio-economic status. Their general use in the Commission's assessments was rejected in the 1999 Review because of possible double-counting with the assessments of age-sex, Indigeneity and place of residence. They are also area-based (rather than people-based), which makes them inconsistent with other socio-demographic data used in assessments.

54. If SEIFA indexes were used, they would replace the age-sex, Indigeneity and place of residence measures in the current assessment. This would reduce the transparency of the assessment because it would not be possible to identify or separate out which influences (for example, age-sex and Indigeneity influences) were important within the SEIFA index. In addition, data which links service use and cost to SEIFA characteristics are not as frequently available as characteristic-based data.

55. The Commission would only use the actual number of SAAP clients in each State as the measure of socio-economic status if it accepted that these numbers were not policy influenced. This is not the case here. While policy differences are reduced by the terms of the agreement between the Commonwealth and States covering this jointly funded program, other State policies, such as those relating to the provision of public housing and other welfare assistance, may influence the numbers of people requiring SAAP services in each State.

56. There is evidence that suggests that people who are in greater need of crisis accommodation services are more likely to have low-incomes. The Commission accepts that there is sufficient evidence to continue to use low-income population as a proxy measure of the demand for SAAP services.

57. *Draft Assessment Paper CGC 2003/50 Socio-Demographic Composition* provides the reasons for the Commission's preference to use low-income status⁵ as a proxy measure for socio-economic status rather than SEIFA⁶.

58. **Commission decision.** The Commission does not accept that a conceptual case has been established for changing the measure of socio-economic status. The numbers of low-income people in each State are comparable, representative and policy neutral. They provide an adequate basis of measuring socio-economic status⁷. The Commission proposes to continue to assess socio-economic status using numbers of low-income people.

59. **Analysis — weight for CALD.** In the 1999 Review, a cost weight of 1.5 was applied to the low -income population with low English fluency to reflect the additional cost of providing interpreting and translating services. Queensland and Tasmania suggested a lower weight should be used for communities which had large numbers of low fluency people because it would be easier to find people with appropriate knowledge or background to provide assistance to people with different cultural and language. They did not provide data to support their argument. In the absence of additional information, we consider that the unit cost of providing translating and interpreting services is likely to be similar for all welfare categories. Consistent with the other two welfare categories we propose that the cost weight for the low English fluency population for this component should be set at 1.5. This weight is the same as those assigned for aged, disability and child and youth support services.

60. States were asked to provide data on any additional costs of providing services to CALD populations, other than for translating and interpreting services. Comprehensive information was not provided that would support an assessment of additional costs and none have been assessed.

61. Commission staff investigated whether the CALD population used SAAP services at a different rate from the general population. Some published data for the SAAP National Data Collection used a broad definition of CALD in terms of country of origin and level of English proficiency. This definition derived from a classification developed by the Australian Government Department of Immigration and Multicultural and Indigenous Affairs, which defined four groups of migrants based on country of origin and the observed

⁵ The low income population is defined as those with an annual family income less than \$31 200 or with an annual individual income less than \$20 800. This income level was chosen because it is the income level from the Census which is closest to the latest estimate of the poverty line for a family with two dependent children and for single persons.

⁶ *Draft Assessment Paper CGC 2003/50 Socio-Demographic Composition*, paragraph 59.

⁷ In *Draft Assessment Paper CGC 2003/50 Socio-Demographic Composition*, the Commission notes that data are not usually available to allow refinement of this measure of socio-economic status to recognise the differential impact of housing costs or State poverty line levels (paragraph 69).

levels of English proficiency associated with migrants from each country⁸. However, the SAAP data were only available for Group 1 (people from high English proficiency countries like the United Kingdom}and Groups 2 to 4 combined. The SAAP data used the latter group as a proxy for CALD and showed that people from this group were under-represented among SAAP users (their share of users was less than their population share). According to this data source, around 10.4 per cent of SAAP users aged 10 years and over were defined as CALD while they were about 16.3 per cent of the general population in 2001-02. A weakness of this comparison is that it includes people from Group 2. This is a broad classification, including migrants and refugees from countries where 80 per cent and more people speak English.

62. Data published in *Australia's Welfare 2000* looks at the SAAP data from another perspective but supports the general conclusion that CALD people have lower than average use of SAAP services⁹. The data showed that people born in non-English speaking countries use SAAP services at a rate of 37 per 10 000 population compared with the rate for the total population of 53 per 10 000 population. Another view of the SAAP data taken from the SAAP National Data Collection shows overseas born SAAP clients by region of origin¹⁰. Although these data show above average use for people from Oceania, the Middle East and Africa, they generally show below average use of SAAP services by persons from non-English speaking countries.

63. These comparisons are based on broad definitions of the CALD population and point to a use weight of less than one for the CALD population. But the data on which these comparisons are based are not available in a form that will enable adjustment for the effects of age and income status. Without these adjustments, we could not be confident in assessing a use rate for the CALD population which differs from the average.

64. **Commission decisions.** The Commission accepts that a conceptual case exists for assessing a cost weight for the additional cost of providing interpreting and translating services. The conceptual case is supported by limited data. The limited data do not support a case for changing the current weight of 1.5. The Commission is satisfied by the strength of the conceptual case and in the absence of evidence to the contrary, it proposes to continue the 1999 Review approach of using a weight of 1.5 across all the welfare categories.

⁸ The Australian Government Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) has devised the English Proficiency (EP) classification of migrants and refugees which groups countries of origin. Country Groups are based on the percentage of arrivals from each country of birth in the five years up to the 1996 Census who only spoke English or, if they spoke another language, spoke good English (as stated in the Census). This percentage is termed the EP index.

The EP groups are:

EP1 = countries with an EP index rating of 98% or more with at least 10 000 residents in Australia;

EP2 = countries with an EP index rating of 80% or more but excluding those countries in EP1;

EP3 = countries with an EP index rating of at least 50% but less than 80%; and

EP4 = countries with an EP index rating of less than 50%.

⁹ AIHW, *Australia's Welfare 2001*, Table 8.9, p345

¹⁰ AIHW, *SAAP National Data Collection, Annual Report 2001-02*, Table 4.3

65. The Commission is not convinced, given the available data and the difficulty of adjusting that data for the effects of age and income, that a conceptual case has been established demonstrating that migrants from non-English speaking countries have a lower rate of use of SAAP services than the Australian born population. The data indicates that their lower use has an impact on State budgets that the Commission considers to be material. The evidence is insufficient to support the assessment of a use weight for the population with low English fluency. If data which enabled a more precise measurement of the use rate for the CALD population becomes available and if the this rate is shown to be significantly different from one, then the Commission would consider assessing a use weight for the CALD population.

66. **Analysis — Indigenous population use weight.** Data suggest Indigenous people have higher SAAP use rates than the general population. Table 7 shows the distribution of SAAP clients by Indigenous status in 2001-02.

Table 7 PROPORTION OF SAAP CLIENTS AND POPULATION THAT ARE INDIGENOUS, 2001-02

| Clients | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|--|------|-----|------|------|------|-----|------|------|------|
| Per cent | % | % | % | % | % | % | % | % | % |
| Indigenous clients | 16.2 | 5.1 | 23.7 | 33.2 | 13.9 | 9.3 | 12.0 | 53.0 | 16.7 |
| Indigenous population as a proportion of total population aged over 10 years | 1.8 | 0.5 | 3.1 | 3.2 | 1.5 | 3.2 | 1.0 | 28.5 | 1.9 |

Source: AIHW, *Homeless people in SAAP: SAAP NDC Annual Report 2001-02*, Table 4.4.

67. Table 7 shows that Indigenous people were over-represented among SAAP clients relative to their population share. Based on the above data an implicit weight of 10 would be appropriate for Indigenous people using SAAP. This weight must be adjusted to avoid double counting with age/sex use weights included elsewhere in the assessment.

68. Adjusting for age weights gives a weight of 7.9 for the Indigenous population using SAAP. Table 11 shows details of the data used in the calculation for adjustment of Indigenous weight for SAAP component.

69. **Commission decision.** The Commission accepts that there is a conceptual case for assessing a use weight for Indigenous people. The conceptual case is supported by data, which the Commission is satisfied is comparable and representative, and provides a strong basis for concluding Indigenous people require more SAAP services than the general population. The Commission therefore proposes to assess a use weight for Indigenous people in the SAAP component. On the basis of its analysis, it decided to assess a use weight of 7.9.

70. **Analysis — cost weight for Indigenous people.** In the 1999 Review a weight of 1.25 was applied to Indigenous people in remote areas. Data from the SAAP National Data Collection in 2001-02 shows that there was a significant variation in the number of SAAP support periods between the Indigenous and non-Indigenous population.

Table 8 shows the proportion of SAAP support periods per client by Indigenous status in 2001-02.

Table 8 NUMBER OF SAAP SUPPORT PERIODS PER CLIENT, 2001-02

| Support periods/ per client | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|-----------------------------|------|------|------|------|------|------|------|------|------|
| Indigenous clients | 1.94 | 1.67 | 3.99 | 1.97 | 1.93 | 1.91 | 1.78 | 1.89 | 2.36 |
| Non-Indigenous clients | 2.08 | 1.77 | 2.03 | 1.92 | 1.81 | 1.74 | 1.92 | 2.03 | 1.76 |

Source: AIHW, *Homeless People in SAAP: SAAP NDC Annual Report 2001-02*, Table 4.4.

71. Table 8 shows that on average Indigenous people received 2.4 support periods compared with 1.8 for non-Indigenous people. There is no evidence that these support periods were of any less duration or intensity and on that basis, we conclude the data imply a higher cost weight for Indigenous clients. We have discounted the Australian data shown in this table to remove the effect of the numbers for Queensland, which we have treated as outliers, and concluded that the average cost differential across Australia for all Indigenous people is about 1.16.

72. The current cost weight of 1.25 applied to Indigenous people living in remote areas recognises the higher costs associated with the provision of most type of services for Indigenous people in remote areas because of greater cultural differences. Several studies support a conclusion that Indigenous Australians are ethnically and culturally distinct from the rest of the population and they remain disadvantaged when compared with non-Indigenous Australian in almost all aspects of socio-economic indicators¹¹. The Commission's *Report on Indigenous Funding* provided evidence that showed disadvantage among Indigenous people was greater in remote areas¹². It concluded the cost of providing services to Indigenous people varies according to remote location and the degree of socio-economic disadvantage and traditional affiliation. On the basis of this evidence, we are prepared to use our judgement to assess a cost differential of approximately 25 per cent between the cost of providing services to Indigenous people in non-remote and remote areas. We note that this cost weight is consistent with the cost weight of 1.16 derived above from data for all Indigenous people, if it is assumed that Indigenous people living in non-remote areas incur cost similar to those for all users of the service.

73. **Commission decision.** The Commission accepts that a conceptual case has been established that the cost of providing services to Indigenous people varies according to remote location. The conceptual case is supported by limited evidence, but the Commission is satisfied that the strength of the conceptual case, and the indications provided by the data are sufficient to consider equalisation would be improved by assessing a cost weight for Indigenous people in remote areas. The data indicate the additional costs have an impact on State budgets that the Commission considers to be material. Therefore, the Commission decided to continue to apply a cost weight of 1.25 to the remote Indigenous population.

¹¹ ABS, *The Health and Welfare of Australia's Aboriginal and Torres Strait Islander peoples*, ABS, Canberra, 1999, p2.

¹² CGC, *Report on Indigenous Funding, 2001*, p. 9.

74. **Analysis — age weight.** Evidence shows that SAAP use varies by age and gender. Table 9 shows the usage patterns of SAAP clients, by age and sex, based on data obtained from the *SAAP National Data Collection 2001-02 Report*.

Table 9 SAAP COMPONENT —AGE SEX USE WEIGHTS

| Age groups | Female: Percentage share of SAAP clients (A) | Low-income Females as Proportion of Total Population (B) | Female use rates (A)/(B) | Male: Percentage share of SAAP clients (C) | Low-income Males as Proportion of Total Population (D) | Male use rates (C)/(D) |
|----------------------|--|--|--------------------------|--|--|------------------------|
| | % | % | | % | % | |
| 12-14 ^(a) | 0.8 | 0.53 | 1.5 | 0.7 | 0.56 | 1.2 |
| 15-19 ^(a) | 11.0 | 1.14 | 9.6 | 7.5 | 1.06 | 7.0 |
| 20-24 | 9.5 | 1.04 | 9.1 | 6.6 | 0.89 | 7.4 |
| 25-29 | 8.2 | 0.84 | 9.8 | 5.8 | 0.66 | 8.8 |
| 30-39 | 15.4 | 1.84 | 8.4 | 10.9 | 1.34 | 8.1 |
| 40 plus | 11.0 | 9.64 | 1.1 | 12.4 | 7.21 | 1.7 |

(a) These figures are for children and youths who are clients of SAAP and do not include children accompanying clients

Source: AIHW, *SAAP NDC Annual Report 2001-02*, Table 4.1.

75. **Commission decision.** The Commission accepts that a conceptual case has been established that SAAP use varies by age and gender. The conceptual case is supported by data, which the Commission is satisfied is comparable and representative, and provides a strong case for assessing age and sex use weights. The data indicate the use rates have an impact on State budgets that the Commission considers to be material. Therefore, the Commission proposes to continue to assess differential age and sex use weights for the age bands within the low-income population. Based on an analysis of SAAP use data, we have concluded that the low-income population aged 12 years and over is the relevant population for SAAP services (very few services are provided to persons outside this age group). The Commission has also decided that the age bands will be 12-14, 15-19, 20-24, 25-29, 30-39 and 40 plus. The proposed weights are shown in Table 9.

76. **Analysis — Length of stay.** The ACT provided evidence showing that its SAAP users remained within SAAP accommodation longer than the national average. It said their longer length of stay was reflected in the ACT's higher service costs — its average cost per support period was more than twice the national average. The socio-demographic composition factor assesses the ACT to have the national average use rate for SAAP services. To some extent, this would overcompensate the ACT because its higher than average length of stay would suggest it has a lower than average rate of use.

77. The ACT's concerns could be addressed by introducing a length of stay adjustment to the use weights in the socio-demographic composition factor. But we have not done so because we are not convinced that differences in duration are not influenced by different policies adopted by different States regarding the level of public provision of low cost accommodation and measures to assist private renters when market rents are high. We

note that the Housing assessment gives the ACT the standard capacity to provide public housing given its population profile, and the standard capacity to provide assistance to private renters given its higher than average market rents.

78. **Commission decision.** The Commission does not consider, on balance, that a conceptual case has been made for assessing differences in the duration of use of SAAP services. The indications provided by the evidence are not sufficient to consider that equalisation would be improved by assessing the effects of duration of use. The Commission does not propose to expand the socio-demographic composition factor to include an assessment for duration of use of SAAP services.

79. The Commission’s decisions for the socio-demographic composition factor for the SAAP Services component are summarised in Table 10.

Table 10 COMMISSION DECISIONS — SOCIO-DEMOGRAPHIC COMPOSITION FACTORS — SAAP COMPONENT

| Decision | Reason |
|--|---|
| Use the low-income population as the target population for this component. | The low-income population is a non-policy influenced measure of the demand for SAAP services. |
| Apply a cost weight of 1.5 for people who speak a language other than English at home and who speak English: ‘not well’ or ‘not at all’. | Interpreting and translating services provided to people with low English fluency incur additional costs. In absence of robust data, this weight is based on judgement and is consistent with the other comparable welfare categories. |
| A use weight of 7.9 will be applied to all Indigenous low-income people using SAAP services. | Indigenous people are over represented among SAAP clients compared with the non-Indigenous population. This weight is derived from data. |
| A cost weight of 1.25 will be applied to the Indigenous low-income people in remote areas. | The Commission considers that cultural and lifestyle differences in remote areas result in higher costs of service provision to the Indigenous population living in remote areas. In the absence of data on unit cost differentials between serving the remote Indigenous population and the non-remote population, adjustment to the data based cost weight for the general Indigenous population is based on judgement supported by data showing higher costs across all Indigenous users of SAAP services. |
| Not to introduce an additional weight to account for differences in lengths of stay in SAAP facilities. | The Commission considered that differences in length of stay might be policy influenced. |
| Differential use weights will be applied to age/sex for age bands 12-14, 15-19, 20-24, 25-29, 30-39 and 40 plus. | Evidence shows that SAAP usage pattern varies according to age and gender. |

80. **Proposed method of calculation.** The factor was calculated by the following method:

(i) A joint weight matrix was derived by combining the weights detailed below:

- *Age-sex weights:* Age-sex use weights for the age bands within the low income populations of 12-14, 15-19, 20-24, 25-29, 30-39 and 40 plus were derived from data collected for SAAP. The weights are shown in Table 9.
- *Indigenous population use weights:* A use weight of 10 was derived for Indigenous people by reference to SAAP client usage data. This weight was adjusted for age to remove double counting to derive an adjusted weight of 7.9 for all Indigenous people. The adjusted Indigenous population weight of 7.9 was derived by the formula:

$$\text{Adjusted Indigenous weight} = \frac{\text{Overall Indigenous weight (ie 10)}}{\sum_{a,s} \text{Use rate}_{a,s} * \text{Indigenous population share}_{a,s}}$$

where *a* and *s* represent age bands and gender status.

Details of the data used in the calculation of the adjusted Indigenous use weight are set out in Table 11.

Table 11 ADJUSTED INDIGENOUS WEIGHTS — SAAP

| INDIGENOUS WEIGHT | | | | | | |
|--------------------------------|---|---|--------------------|---|---|----------------------|
| OVERALL INDIGENOUS WEIGHT=10.0 | | | | | | |
| Age band | Male Indigenous population ^(a) | Indigenous males as a proportion of total Indigenous population | Male age use rates | Female Indigenous population ^(a) | Indigenous females as a proportion of total Indigenous population | Female age use rates |
| 12-14 | 8 309 | 0.05 | 0.1 | 7 924 | 0.05 | 0.1 |
| 15-19 | 11 965 | 0.07 | 2.1 | 12 885 | 0.08 | 2.2 |
| 20-24 | 9 045 | 0.06 | 2 | 10 735 | 0.07 | 2.0 |
| 25-29 | 8 518 | 0.05 | 1.7 | 10 615 | 0.07 | 1.7 |
| 30-39 | 14 661 | 0.09 | 1.5 | 18 375 | 0.11 | 1.4 |
| 40 plus | 22 516 | 0.14 | 0.6 | 26 235 | 0.16 | 0.6 |

(a) Low income population numbers derived from Census 2001

Source: AIHW, SAAP NDC Annual Report 2001-02, Table 4.1.

- *Remote Indigenous population cost weight:* An additional Indigenous weight of 1.25 was applied to all Indigenous persons living in remote areas. Remote areas were defined using ARIA criteria. This weight was derived by judgement supported by

SAAP national data on the average numbers of support periods provided to Indigenous clients compared with non-Indigenous clients.

- *CALD cost weight:* A weight of 1.5 was applied to people with low-income status who speak a language other than English at home and who speak English: ‘not well’ or ‘not at all’.
 - A 2001 Census of Population and Housing cross-tabulation of low-income people by age-sex (age ranges 12-14, 15-19, 20-24, 25-29, 30-39 and 40 plus), Indigeneity, English proficiency, and remoteness was obtained.
- (ii) The joint weight matrix was applied to the respective population groups of the States and Australia to obtain weighted populations.
- (iii) A State factor was calculated by dividing its ratio by the Australian ratio. Table 12 shows the derivation of the socio-demographic composition factors applied to this component.

Table 12 SUPPORTED ACCOMMODATION ASSISTANCE PROGRAM COMPONENT — SOCIO-DEMOGRAPHIC COMPOSITION FACTORS

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| Weighted population ('000) | 7959.1 | 4863.0 | 5688.0 | 3037.3 | 2002.7 | 791.2 | 276.2 | 1486.0 | 26103.4 |
| 2001 Census population ('000) | 6 332.2 | 4 669.1 | 3 517.7 | 1 822.8 | 1 468.9 | 458.9 | 308.6 | 183.8 | 18 762.1 |
| Ratio(a) | 1.25693 | 1.04152 | 1.61695 | 1.66624 | 1.36339 | 1.72408 | 0.89491 | 8.08410 | 1.39128 |
| Factor | 0.90343 | 0.74860 | 1.16220 | 1.19763 | 0.97995 | 1.23920 | 0.64323 | 5.81054 | 1.00000 |

(a) This was calculated as weighted population divided by 2001 Census population.

81. **Updateability.** SAAP data were obtained from the SAAP National Data Collection, which is published annually. Population data are from the 2001 Census. It will be possible in future updates to estimate revised populations using total estimated resident populations and the population structure at the 2001 Census.

Service delivery scale — SAAP component

82. **1999 Review.** Service delivery scale was not assessed as a disability in the 1999 Review.

83. **Preliminary State views.** Tasmanian argued for the inclusion of a service delivery scale factor for this component. It said that it experienced additional costs delivering services in small rural centres and from smaller facilities.

84. **Staff proposal.** In *Discussion Paper CGC 2002/32 Homeless and General Welfare*, Commission staff asked States to provide information on how SAAP services were delivered in rural and remote areas and the average unit cost of services in metropolitan, rural and remote areas of States. Such information would enable further consideration of a scale delivery factor.

85. **Further State views.** Queensland said that it delivered mainstream SAAP services to small rural centres from regional centres, with outreach services to smaller surrounding areas. Queensland said, however, that a large number of Indigenous SAAP clients lived in remote or very remote locations in small communities. It said that the cost of delivering SAAP services in those areas was much higher than in other locations.

86. Tasmania said that a service delivery scale disability was required to recognise the high costs of operating small SAAP facilities in rural areas. Tasmania said it provided services from rural centres. It said national SAAP data demonstrated that, in 2001-02, the cost per client support period in a rural agency was over 2.5 times the per client support period in a capital city agency¹³. Tasmania also said that it funded flexible support services that may 'outreach' into rural communities.

87. The Northern Territory submitted that it faced service delivery scale disabilities when providing SAAP services to small communities in remote locations. In the Northern Territory 63 per cent of SAAP services were provided in remote locations.

88. **Analysis.** The evidence provided by the States supports the conceptual case that there are higher unit costs associated with providing SAAP services in rural and remote areas. The higher costs might be attributable to:

- travel costs and locality allowances for staff providing the services, building maintenance expenses for SAAP buildings and communication costs;
- the characteristics of clients such as level of English fluency and Indigenous status; and
- a less than optimum use of resources — more staff are required to provide the same quantum of services in rural and remote areas than in urban areas.

89. The first group of costs has been recognised through the assessment of the dispersion factor. The second group of costs has been recognised through the assessment of the socio-demographic composition factor.

90. In *Discussion Paper CGC 2002/32 Homeless and General Welfare*, Commission staff asked States to provide data which would allow staff to estimate the size of the third group of costs. The States have not been able to provide data. In the absence of data, we are not able to assess a service delivery scale factor.

¹³ Tasmania, Rejoinder Submission for 2004 Review.

91. **Commission's decision.** The Commission accepts that a conceptual case exists that the costs of providing SAAP services are higher in rural and remote areas due to the costs of location and the socio-demographic characteristics of the population in those areas. Because there are insufficient data on which to consider whether service delivery scale disabilities exist, the Commission is not convinced that a conceptual case for service delivery scale costs has been established and has decided not to assess a service delivery scale factor.

92. The Commission's decision is summarised in Table 13.

Table 13 COMMISSION DECISION — SERVICE DELIVERY SCALE FACTOR

| Decision | Reason |
|--|--|
| To not assess a service delivery scale factor. | The Commission accepts that there is a conceptual case for the existence of a higher unit cost for services provided in rural and remote areas due to dispersion and socio-demographic composition influences. There is insufficient data by which the existence of service delivery scale influences can be tested. |

Input costs — SAAP component

93. **1999 Review.** The following standard expense proportions were applied to each of the factors assessed for this component:

- wages and salaries 70 per cent;
- accommodation 2 per cent; and
- electricity 1 per cent.

94. **2004 Review.** The input costs factors for the SAAP component of this category, shown in Table 14, have been calculated according to the general method outlined in *Discussion Paper CGC 2003/04 Input Costs* and in *Draft Assessment Paper CGC 2003/79 Input Costs – Electricity and Accommodation*. The standard expense proportions applied were 70 per cent for wages and salaries, 2 per cent for accommodation and 1.0 per cent for electricity.

Table 14 INPUT COSTS FACTORS — SAAP COMPONENT

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1997-98 | 1.02932 | 0.98903 | 0.98351 | 0.98292 | 0.97413 | 0.94405 | 1.00688 | 1.08142 |
| 1998-99 | 1.03090 | 0.98991 | 0.98183 | 0.97989 | 0.97245 | 0.94192 | 1.01061 | 1.07740 |
| 1999-2000 | 1.03335 | 0.98917 | 0.97931 | 0.98163 | 0.96934 | 0.93610 | 1.01444 | 1.07331 |
| 2000-01 | 1.03385 | 0.99038 | 0.97766 | 0.98158 | 0.96830 | 0.93360 | 1.01376 | 1.07096 |
| 2001-02 | 1.03293 | 0.99138 | 0.97654 | 0.98254 | 0.97177 | 0.93334 | 1.01116 | 1.06793 |

95. The factors shown in Table 14 were also applied in the Other Welfare component.

Dispersion — SAAP component

96. **1999 Review.** The dispersion factor was assessed to account for differences in per capita costs of providing services arising from differences between States in the spread of their population. The factor reflects the effects of population dispersion on State expenses associated with telecommunication, freight, travel and staffing on-costs.

97. There were seven indexes within the dispersion factor, each reflecting the effect of interstate differences in population dispersion on a separate type of dispersion-affected cost. The indexes were weighted by the proportion of standard expenses affected by each type of dispersion-affected cost and combined to form the overall dispersion factor. The proportions of standard expenses estimated for this component are shown in Table 15.

Table 15 COST WEIGHTS FOR DISPERSION, 2003 UPDATE

| Telephone | Freight | Air Travel | Road Travel | | Remote Removals | Locality Allowances |
|-----------|---------|------------|----------------|---------|-----------------|---------------------|
| | | | Inter Regional | Local | | |
| 0.01065 | 0.00151 | 0.00272 | 0.01866 | 0.00528 | 0.00000 | 0.00287 |

Source: 2003 Update Working Papers, Volume 4, p362

98. **2004 Review.** *Draft Assessment Paper CGC 2003/63 Dispersion* discusses the issues raised by the States regarding the assessment of the dispersion factor. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and on the size of the standard expense proportions estimated for each of the nine elements of dispersion-affected expenses. The States did not raise issues specific to this category.

99. The Commission noted that the expenses incurred in providing child and youth support services include costs that are affected by population dispersal. It has therefore decided that a dispersion disability will be assessed.

100. The dispersion factors for SAAP services have been calculated according to the 2004 Review general method. There were nine indexes within the dispersion factor for the 2004 Review. Table 16 shows the proportions of standard expenses estimated for each of the nine elements of dispersion affected expenses for this component.

Table 16 2004 REVIEW DISPERSION COST WEIGHTS — SAAP COMPONENT

| Telecommunications | | Freight | Air Travel | Road Travel | | Repairs and Maintenance | Remote Removals | Locality Allowances |
|--------------------|-----------|---------|---------------|-------------------|--------|----------------------------|--------------------|------------------------|
| Voice | Non-voice | | | Inter Regional | Local | | | |
| 0.0008 | 0.0001 | 0.0003 | 0.0002 | 0.0003 | 0.0016 | 0.0001 | 0.00 | 0.0001 |

101. Table 17 shows the dispersion factors assessed for this component for the 2004 Review.

Table 17 DISPERSION FACTORS — SAAP COMPONENT

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| All years | 0.99983 | 0.99945 | 1.00046 | 1.00100 | 0.99947 | 0.99944 | 0.99790 | 1.00987 |

102. Neither the factor nor the dispersion costs weights will be updated before the next review.

103. The dispersion disabilities shown in Table 17 were also applied in the Other Welfare component.

Cross-border — SAAP component

104. In the 1999 Review, the cross-border factor was assessed in the SAAP component to compensate the ACT for the costs incurred in providing SAAP services to residents of New South Wales in excess of those New South Wales provided to ACT residents. The cross-border factor was based on 50 per cent of the population aged 11 and over in Queanbeyan, Yass, Yarrowlunla and Gunning Local Government Areas (LGAs) and 20 per cent of the population aged 11 and over range in the Bega Valley, Bombala, Boorowa, Cooma-Monaro, Crookwell, Eurobodalla, Goulburn, Harden, Mulwaree, Snowy River, Tallaganda and Young LGAs.

105. ***Preliminary State views.*** The ACT supported the continued assessment of a cross-border factor for SAAP component. It proposed the assessment be made using its modified general method.

106. **Staff proposal.** In *Discussion Paper CGC 2002/5 Cross-Border Disabilities and Special Circumstances of the Australian Capital Territory*, staff indicated that the underlying issue with regard to either the existing or the proposed general method was the lack of available data on cross-border use of services. It proposed not to adjust the cross-border population for socio-demographic characteristics or the coverage of regions, unless the ACT could provide more relevant data for a range of services. If additional costs could be shown to be material, staff also proposed that an appropriate assessment would be considered.

107. Staff also proposed that, subject to materiality, the cross-border factor would be updated annually to account for differences in population growth between the ACT and surrounding regions.

108. **Further State views.** Neither New South Wales nor the ACT commented on the cross-border factor for the SAAP component in rejoinder submissions.

109. **Analysis and Commission decision.** *Draft Assessment Paper CGC 2003/68 Cross-border Factors* sets out the Commission’s general decisions on cross-border assessments for the 2004 Review.

110. The Commission accepts a conceptual case exists for assessing cross-border influences on demand for SAAP services, to compensate the ACT for the additional costs it incurs in providing services to New South Wales residents in excess of those New South Wales provided to ACT residents. Actual cross-border population data are not available to assess these influences. However, the Commission is satisfied that the strength of the conceptual case and the indications provided by the evidence available, are sufficient to consider that equalisation would be improved by assessing cross-border influences for this component. The evidence indicates that cross-border influences have an impact on the ACT’s budget that the Commission considers to be material. The cross-border factors will be assessed using the general method.

111. The Commission’s proposal is summarised in Table 18.

Table 18 COMMISSION DECISION — SAAP: CROSS-BORDER

| Decision | Reason |
|--|---|
| Cross-border factor to be assessed for the SAAP component for the 2004 Review. | Adjusts for services provided to residents of New South Wales who use ACT services. |
| To include different weights according to proximity to Canberra. | There is a conceptual case that use would vary with distance. These weights are based on judgement. |

112. Consistent with the socio-demographic factor, the numbers of people aged 12 years and over were used to calculate the factors shown in Table 19.

Table 19 CROSS-BORDER FACTORS — SAAP COMPONENT

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| All years | 0.99838 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.02884 | 1.00000 |

113. **Updateability.** Estimated resident populations are available for each year so this factor can be updated annually.

OTHER WELFARE COMPONENT

114. The other welfare component includes State expenses on income assistance to individuals or households with inadequate earnings capacity. More specifically, it includes expenses associated with any other concessions, drugs and alcohol rehabilitation programs, care of refugees, premarital education, prisoners' aid and miscellaneous social security and welfare services.

Socio-demographic composition — other welfare component

115. **1999 Review.** The socio-demographic composition factor was based on a relevant population of low-income people (defined as people living in families with annual incomes of \$26 000 or less and individuals with incomes of less than \$15 600). Within the relevant population, differential use and cost weights were applied to following population groups:

- (i) a use weight of two was applied to the population aged 15-59 years and a weight of one was applied to age bands 0-14 and 60 plus. People aged 15–59 years were given a higher weight because these were the years of work and family formation.
- (ii) a use weight of four was applied to the Indigenous population. This weight was derived by judgement taking account of the Indigenous use of SAAP services compared with the national use rate of different age ranges.
- (iii) a cost weight of 1.25 was applied to the Indigenous people living in remote areas to reflect additional costs related to different cultural and lifestyle influences. This weight was based on judgement; and
- (iv) a cost weight of 1.5 was applied to all people with low English fluency to reflect the additional cost associated with translating and interpreting services. No allowance was assessed for humanitarian refugees.

116. **Preliminary State views.** The issues raised by the States in their submissions for the 2004 Review were:

- (i) the need to revise the use weight for the Indigenous population;
- (ii) the need to recognise the additional costs associated with humanitarian refugees.

117. New South Wales said it experienced additional costs as a result of its need to provide extra services to humanitarian refugees.

118. **Staff proposals.** In *Discussion Paper CGC 2002/32 Homeless and General Welfare*, Commission staff asked States to provide data to enable them to evaluate the use weight for the Indigenous population.

119. Commission staff said it was difficult to justify an adjustment to reflect the different pattern of use and cost of welfare services for humanitarian refugees given their small numbers. They asked States to provide information on the additional costs of providing services and any special arrangements for services that are specifically provided to the humanitarian refugees.

120. **Further State views.** Queensland argued that, similar to SAAP services, Indigenous people have greater needs for other support services because of their socio-economic, cultural and geographic isolation. This increased the cost of providing welfare services to this population group.

121. New South Wales said that humanitarian refugees and newly arrived overseas migrants required expenditure on care and assistance above the average required for other CALD or NESB populations due to cultural differences and psychological stress. This involved additional costs.

122. Queensland submitted that humanitarian refugees placed greater demands on community services that led to higher service delivery costs. It said that humanitarian refugees had complex needs because of their physical and psychosocial health, social isolation and limited English fluency. However, the costs associated with providing services to humanitarian refugees had not been quantified in Queensland.

123. The Northern Territory said the current cost weight for low English fluency was adequate and did not require revision.

124. **Analysis — CALD.** There is a conceptual case supporting the retention of a cost weight for low English fluency for this component to account for the cost associated with translating and interpreting services. We consider that the unit cost of providing translating and interpreting services is likely to be similar for all welfare categories. Consistent with the other two welfare categories we propose that the cost weight for the low English fluency population for this component should be set at 1.5. This weight is the same as those assigned for SAAP, aged, disability and child and youth support services.

125. **Commission decision.** The Commission accepts that a conceptual case exists for assessing a cost weight for the additional cost of providing interpreting and

translating services. The conceptual case is supported by limited data. The limited data do not support a case for changing the current weight of 1.5. The Commission is satisfied by the strength of the conceptual case and in the absence of information to the contrary, it proposes to continue the 1999 Review approach of using a weight of 1.5 across all the welfare categories.

126. **Analysis — allowance for humanitarian refugees.** *Draft Discussion Paper CGC 2003/50 Socio-demographic Composition* provides data that show that humanitarian refugees represent 0.3 per cent of the Australian population. In *Discussion Paper CGC 2002/32 Homeless and General Welfare*, Commission staff asked States to provide information on the additional costs of providing specialised services to the humanitarian refugees. States have been unable to provide information on their additional costs. However, the conceptual case is strong and the Commission accepts that an allowance should be made. In the absence of other data, it proposes to use judgement to assess a cost weight of 2 for humanitarian refugees.

127. **Commission decision.** The Commission accepts that a conceptual case exists for assessing a cost weight for the provision of services to humanitarian refugees. The conceptual case is supported by limited data, but the Commission is satisfied with the strength of the conceptual case, and has decided to use its judgement to assess a cost weight of 2 for humanitarian refugees.

128. **Analysis — Indigenous population weight.** Given the high prevalence of poverty, mental illness, drug and alcohol abuse and related violence among the Indigenous communities, there is a conceptual case that they would require more welfare-related services compared with the general population. Statistics show that Indigenous people have lower life expectancy, poorer health, lower educational levels, high unemployment, lower incomes, poorer standards of accommodation and a greater involvement with the criminal justice system than other Australians¹⁴.

129. According to the 2001 National Drug Strategy Household Survey (NDHS), Indigenous people were twice as likely to risk alcohol-related harm in the long term as non-Indigenous people. One in two Indigenous people compared with one in three non-Indigenous Australians face a risk of harm in the short term¹⁵. Overall, Indigenous people were more likely to develop high risk levels for alcohol and other drug-related harm than non-Indigenous people¹⁶.

130. This information suggests that Indigenous people are likely to be more reliant on welfare services, in particular drug and alcohol rehabilitation services and concessions, than the general population. There is no comprehensive data by which to measure a use weight. However, SAAP data can be considered a good broad indication of the Indigenous population's greater demand for welfare services (ten times higher than the

¹⁴ ABS, *The health and welfare of Australia's Aboriginal and Torres Strait Islander peoples*, ABS, Canberra, 1999, p2.

¹⁵ AIHW, *Statistics on Drug Use in Australia 2002*, Series no 2, p50.

¹⁶ AIHW, *Statistics on Drug Use in Australia 2002*, Series no 2, Table 8.6, p51.

non-Indigenous people). After adjusting for age weights, this implies a use weight of six for the Indigenous population.

131. **Commission decision.** The Commission accepts that there is a conceptual case for assessing a use weight for Indigenous people. The conceptual case is supported by some data, which the Commission considers can be used, and provides an acceptable basis for concluding Indigenous people require more services than the general population. The Commission therefore proposes to assess a use weight for Indigenous people in the SAAP component. On the basis of its analysis, it proposes to assess a use weight of 6.

132. **Analysis — weight for Indigenous population in remote areas.** No State commented on the present cost weight for Indigenous people living in remote areas. The current cost weight of 1.25 recognises the higher costs associated with the provision of most type of services for Indigenous people in remote areas because of greater cultural differences. The Commission's *Report on Indigenous Funding* provided evidence that showed disadvantage among Indigenous people was greater in remote areas¹⁷. It concluded the cost of providing services to Indigenous people varies according to remote location and the degree of socio-economic disadvantage and traditional affiliation. On the basis of this evidence, we are prepared to use our judgement to assess a cost differential of approximately 25 per cent between the cost of providing services to Indigenous people in non-remote and remote areas. We consider that there is a strong conceptual case for retaining an additional cost weight for Indigenous people in remote areas.

133. **Commission decision.** The Commission accepts that a conceptual case has been established that the cost of providing services to Indigenous people varies according to remote location. The Commission is satisfied that the strength of the conceptual case, and the indications provided by the indirect evidence are sufficient to consider equalisation would be improved by assessing a cost weight for Indigenous people in remote areas. The Commission considers the additional costs have an impact on State budgets that is material. Therefore, on the basis of judgement, the Commission proposes to apply a cost weight of 1.25 for Indigenous people in remote areas.

134. **Analysis — age weights.** No State commented on the age weights applied to different age bands (0-14, 15-59 and 60 plus) for other welfare services in the 1999 Review. In that review, a higher weight was applied to age band 15-59 because the Commission considered this age group was most vulnerable to changes in economic circumstances that may result in eligibility for social security benefits. The social security income and assets tests are different for this group than for those of or near pension age. If people in this group are affected by changed economic circumstances, but they remain ineligible for social security benefits, it is likely that they will seek to access State welfare services. Because of the lack of data on which this weight could be based, and in the absence of State comments on this matter, this weight was based on judgement. There is a conceptual case for assessing a higher use weight for people of working age, because of their potentially greater propensity to use State welfare services.

¹⁷ CGC, *Report on Indigenous Funding*, 2001, p. 9.

135. **Commission decision.** The Commission considers, on balance, that a conceptual case has been made for assessing a use weight for the population aged 15-59 years. While there is insufficient data from which a use weight can be calculated, the Commission has decided that the conceptual case is strong enough to warrant retention of the present use weight of 2.

136. The Commission’s decisions for the socio-demographic composition factor for the other welfare services component are summarised in Table 20.

Table 20 COMMISSION DECISIONS — SOCIO-DEMOGRAPHIC COMPOSITION FACTORS — OTHER WELFARE COMPONENT

| Decision | Reason |
|--|--|
| Use the low income population as the target population for this component. | The low-income population is a non-policy influenced measure of the demand for SAAP services. |
| Apply a cost weight of 1.5 to people who speak a language other than English at home and who speak English ‘not well’ and ‘not at all’. | Interpreting and translating services provided to the people with low English fluency incur additional costs. In absence of robust data this weight is based on judgement and is consistent with other comparable welfare services. |
| A use weight of 6 will be applied to all Indigenous low-income people. | Evidence suggests that Indigenous people rely on welfare related services to a greater extent than the general population. The weight is based on SAAP data (considered as a broad measure of the need for welfare services) adjusted for age. |
| Apply a cost weight of 1.25 to Indigenous low-income people in remote areas. | Cultural and lifestyle differences in remote areas result in higher costs for providing services to the Indigenous population living in remote areas. In the absence of robust data on unit cost differentials between population sub-groups, the weight is based on judgement. It is consistent with comparable welfare categories. |
| Apply a cost weight of 2 to all humanitarian refugees. | States incur additional cost in providing welfare services to the humanitarian refugees. In absence of data on cost of services to this group this cost weight is based on judgement. |
| Apply a use weight of 1 for the age bands 0-14 and 60 plus and a use weight of 2 to age band 15-59 years within the low income population. | It is likely that demand for other welfare services varies according to different age groups. |

137. **Proposed method of calculation.** The factor was calculated by the following method:

- (i) A joint factor weights matrix was derived by combining weights detailed below.
 - *CALD weight:* A weight of 1.5 was applied to all persons who spoke a language other than English at home, and who spoke English ‘not well’ or ‘not at all’.

- *Weight for humanitarian refugees:* A cost weight of 2 was applied to humanitarian refugees.
- *Indigenous population weight:* An adjusted use weight of six was applied to Indigenous people. This weight was based on a weight of 10 for the total Indigenous population. It was adjusted to remove the effect of double counting with age weights. The adjusted Indigenous population weight of six was derived by the formula:

$$\text{Adjusted Indigenous weight} = \frac{\text{Overall Indigenous weight (ie 10)}}{\sum_{a,s} \text{Use rate}_{a,s} * \text{Indigenous population share}_{a,s}}$$

where *a* and *s* represent age bands and gender status.

Details of the data used in the calculation of the adjusted Indigenous use weight are set out in Table 21.

Table 21 ADJUSTED INDIGENOUS WEIGHT

| Age group | Indigenous population of age group | Proportion of total Indigenous population | Age weight |
|-----------|------------------------------------|---|------------|
| 0-14 | 178 681 | 0.3897 | 1 |
| 15-59 | 258 967 | 0.5648 | 2 |
| 60 plus | 20 862 | 0.0455 | 1 |

- *Remote Indigenous population weight:* An additional Indigenous weight of 1.25 was applied to all Indigenous persons living in remote areas. Remote areas were defined using ARIA criteria.
 - *Age weights:* Use weights for the age groups 0-14 and 60 plus were set at one; the use weight for those aged 15-59 was set at two.
- (ii) A 2001 Census of Population and Housing cross-tabulation of low income people by age-sex (age ranges 0-14, 15-59 and 60 plus), Indigeneity, English proficiency and location was obtained.
 - (iii) The joint factor weight matrix was applied to the respective population groups of the States and Australia to obtain weighted populations.
 - (iv) A State factor was calculated by dividing its ratio by the Australian ratio. Table 22 shows the derivation of the socio-demographic composition factors applied to this component.

Table 22 OTHER WELFARE COMPONENT — SOCIO-DEMOGRAPHIC COMPOSITION FACTORS

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|--------------------------------------|---------|---------|----------|----------|----------|----------|---------|----------|---------|
| Raw factor | 0.93688 | 0.81231 | 1.12371 | 1.11652 | 1.02395 | 1.25562 | 0.59236 | 4.27394 | 1.00000 |
| Adjustment for humanitarian refugees | 0.00010 | 0.00016 | -0.00020 | -0.00012 | -0.00003 | -0.00033 | 0.00001 | -0.00151 | 0.00000 |
| Final factor | 0.93698 | 0.81247 | 1.12351 | 1.11640 | 1.02392 | 1.25529 | 0.59237 | 4.27243 | 1.00000 |

138. **Updateability.** The use and cost weights applied in this factor are based on judgement. Population data are from the 2001 Census. It will be possible in future updates to estimate revised populations using total estimated resident populations and the population structure at the 2001 Census.

Input costs — other welfare component

139. **1999 Review.** In the 1999 Review, the input costs factors assessed for this component were the same as those for the SAAP component.

140. **2004 Review.** The Commission considers that approach remains appropriate for the 2004 Review because the proportion of costs affected by wages and salaries, accommodation and electricity in the Other Welfare components remains similar. The input costs factors shown in Table 14 above have also been applied in the Other Welfare component.

Dispersion — other welfare component

141. **1999 Review.** In the 1999 Review, the dispersion factors assessed for this component were the same as those for the SAAP component.

142. **2004 Review.** The Commission considers that approach remains appropriate for the 2004 Review because the proportion of dispersion-affected costs in the SAAP services and Other Welfare components remains similar. The dispersion factors shown in Table 15 above have also been applied in the Other Welfare component.

Cross-border — other welfare component

143. In the 1999 Review, the cross-border factor was assessed in the Other Welfare component to compensate the ACT for the costs it incurred in providing other welfare services to New South Wales residents in excess of those New South Wales provided to ACT residents. The cross-border factor was based on 50 per cent of the population in Queanbeyan, Yass, Yarrowlunla and Gunning Local Government Areas (LGAs) and 20 per cent of the population in the Bega Valley, Bombala, Boorowa, Cooma-

Monaro, Crookwell, Eurobodalla, Goulburn, Harden, Mulwaree, Snowy River, Tallaganda and Young LGAs.

144. **Preliminary State views.** The ACT supported the continued assessment of a cross-border factor for the Other Welfare component. It proposed the assessment be made using its modified general method.

145. **Staff proposal.** In *Discussion Paper CGC 2002/5 Cross-border Disabilities and Special Circumstances of the Australian Capital Territory*, staff indicated that the underlying issue with regard to either the existing or the proposed general method was the lack of available data on cross-border use of services. It proposed not to adjust the cross-border population for socio-demographic characteristics or the coverage of regions, unless the ACT could provide more relevant data for a range of services. If additional costs could be shown to be material, staff also proposed that an appropriate assessment would be considered.

146. Staff also proposed that, subject to materiality, the cross-border factor would be updated annually to account for differences in population growth between the ACT and surrounding regions.

147. **Further State views.** Neither New South Wales nor the ACT commented on the cross-border factor for the SAAP component in rejoinder submissions.

148. **Analysis and Commission decision.** *Draft Assessment Paper CGC 2003/68 Cross-border Factors* sets out the Commission's general decisions on cross-border assessments for the 2004 Review.

149. The Commission accepts a conceptual case exists for assessing cross-border influences on demand for other welfare services, to compensate the ACT for the additional costs it incurs in providing services to residents of New South Wales in excess of those New South Wales provides to residents of the ACT. Actual cross-border population data are not available to assess these influences. However, the Commission is satisfied that the strength of the conceptual case and the indications provided by the evidence available, are sufficient to consider that equalisation would be improved by assessing cross-border influences for this component. The evidence indicates that cross-border influences have an impact on the ACT's budget that the Commission considers to be material. The cross-border factors will be assessed using the general method.

150. The Commission's proposal is summarised in Table 23.

Table 23 COMMISSION DECISION — OTHER WELFARE: CROSS-BORDER

| Decision | Reason |
|---|---|
| Cross-border factor to be assessed for other welfare component for the 2004 Review. | Adjusts for services provided to residents of New South Wales who use ACT services. |
| To include different weights according to proximity to Canberra. | There is a conceptual case that use would vary with distance. These weights are based on judgement. |

151. Consistent with the socio-demographic factor, the factors shown in Table 24 were based on total populations.

Table 24 CROSS-BORDER FACTORS — OTHER WELFARE COMPONENT

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| All years | 0.99838 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.02817 | 1.00000 |

PROPOSED ASSESSMENT STRUCTURE FOR THE 2004 REVIEW — EXPENSES

152.

Table 25 summarises the proposed assessment structure for the 2004 Review.

Table 25 PROPOSED ASSESSMENT STRUCTURE FOR THE 2004 REVIEW

| Component | Component weight | Factors | Basis of calculation |
|--|------------------|---|---|
| Expenses | % | | |
| Fixed Costs | 0.60 | Input costs Administrative scale | General method General method |
| Supported Accommodation Assistance program (SAAP) | 18.80 | Socio-demographic composition Dispersion Input costs Cross-border | Derived by applying weights to population sub-sets for age, Indigeneity, low English fluency, remote Indigenous and low- income status General method General method Assessed for New South Wales and the ACT by the general method. |
| Other welfare | 80.60 | Socio-demographic composition Dispersion Input costs Cross-border | Based on the low income population aged 0-14, 15-59 and 60 plus with a use weight for the population aged 15-59, a use weight of 6 for the Indigenous and with a cost weight of 1.5 for the low English fluency population and a cost weight of 1.25 for Indigenous people in remote areas. General method General method Assessed for New South Wales and the ACT by the general method. |

SUMMARY OF RESULTS

Derivation of the category factor

153. Table 26 summarises the components, component weights and disability factors for this category for 2001-02. It shows how the category factor is derived.

Table 26 HOMELESS AND GENERAL WELFARE — DERIVATION OF CATEGORY FACTOR, 2001-02

| Factors | NSW | Vic | Qld | WA | SA | Tas | ACT | NT |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Fixed Costs (component weight 0.60%) | | | | | | | | |
| Administrative Scale Factor | 0.31551 | 0.43157 | 0.57085 | 1.09232 | 1.37971 | 4.42813 | 6.49357 | 24.66745 |
| Fixed Costs Input Costs Factor | 1.03714 | 0.99034 | 0.97354 | 0.97996 | 0.96824 | 0.92479 | 1.01291 | 1.07737 |
| Component factor (s) | 0.32483 | 0.42427 | 0.55167 | 1.06258 | 1.32610 | 4.06507 | 6.52925 | 26.38127 |
| Cont. to category factor (fc_ic) | 0.00195 | 0.00255 | 0.00331 | 0.00638 | 0.00796 | 0.02439 | 0.03918 | 0.15829 |
| Supported Accommodation Assistance Program (SAAP) (component weight = 18.80%) | | | | | | | | |
| Dispersion (d) | 0.99983 | 0.99945 | 1.00046 | 1.00100 | 0.99947 | 0.99944 | 0.99790 | 1.00987 |
| Cross-border (x_saap) | 0.99838 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.02884 | 1.00000 |
| Input Costs Factor (ic) | 1.03293 | 0.99138 | 0.97654 | 0.98254 | 0.97177 | 0.93334 | 1.01116 | 1.06793 |
| Socio-demographic Composition (sdc_saap) | 0.90343 | 0.74860 | 1.16220 | 1.19763 | 0.97995 | 1.23920 | 0.64323 | 5.81054 |
| Component factor | 0.92926 | 0.73875 | 1.13089 | 1.17317 | 0.94793 | 1.15124 | 0.64643 | 6.23733 |
| Cont. to category factor | 0.17470 | 0.13888 | 0.21261 | 0.22056 | 0.17821 | 0.21643 | 0.12153 | 1.17262 |
| Other welfare (component weight = 80.60%) | | | | | | | | |
| Cross-border (x_ow) | 0.99838 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.02817 | 1.00000 |
| Dispersion Factor (d) | 0.99983 | 0.99945 | 1.00046 | 1.00100 | 0.99947 | 0.99944 | 0.99790 | 1.00987 |
| Input Costs Factor (ic) | 1.03293 | 0.99138 | 0.97654 | 0.98254 | 0.97177 | 0.93334 | 1.01116 | 1.06793 |
| Socio-demographic Composition (sdc_ow) | 0.93698 | 0.81247 | 1.12351 | 1.11640 | 1.02392 | 1.25529 | 0.59237 | 4.27243 |
| Component factor | 0.96528 | 0.80302 | 1.09495 | 1.09531 | 0.99201 | 1.16802 | 0.59625 | 4.59343 |
| Cont. to category factor | 0.77802 | 0.64723 | 0.88253 | 0.88282 | 0.79956 | 0.94142 | 0.48058 | 3.70230 |
| CATEGORY FACTOR | 0.95467 | 0.78866 | 1.09845 | 1.10975 | 0.98573 | 1.18225 | 0.64128 | 5.03321 |

154. **Calculation formula.** The following formulas were used to calculate the contribution of each expenses component to the overall category factor. In each case, the contributions are calculated as the expenditure component weight multiplied by the component factor (the bracketed terms in the formulas). Each contribution to category factor was rescaled to ensure that, for each of them, the sum of standardised equals the sum of actual expenses.

$$FC = 0.006 (s * fc_ic)$$

$$SAAP = 0.188 sdc_saap * x_saap * (d + ic - 1)$$

$$OW = 0.806 sdc_ow * x_ow * (d + ic - 1)$$

$$\text{Category factor} = FC + SAAP + OW$$

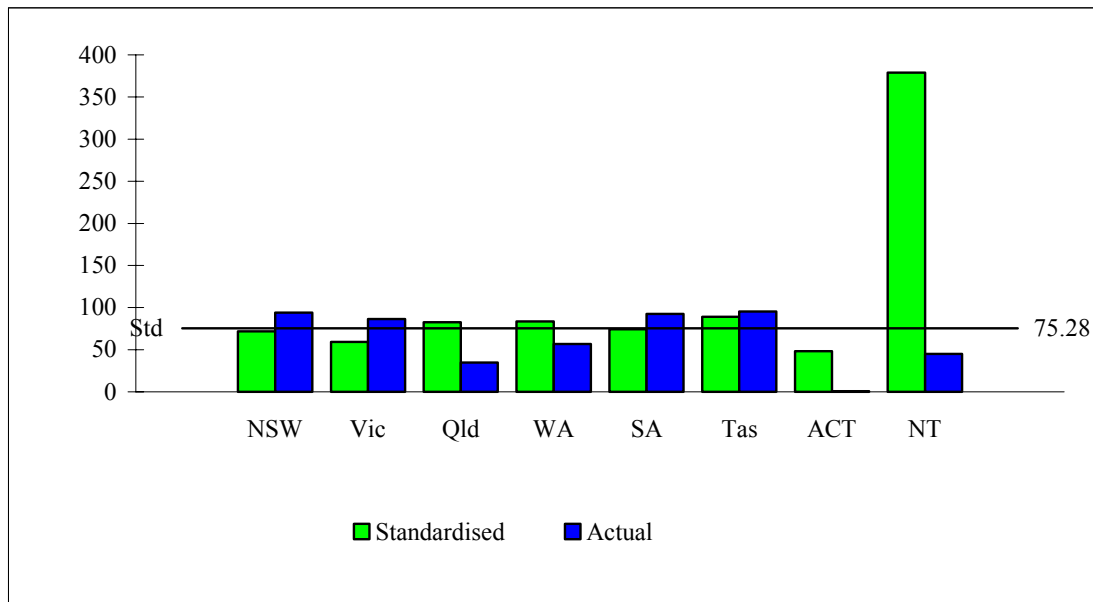
155. Table 27 shows the category factors calculated for the draft assessment for the 2004 Review compared with the category factors assessed for this category in the 2003 Update

Table 27 COMPARISON OF CATEGORY FACTORS, 2003 UPDATE AND THE DRAFT ASSESSMENT FOR THE 2004 REVIEW

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 2003 Update | 0.94952 | 0.86283 | 1.07721 | 1.06421 | 1.02654 | 1.20475 | 0.86419 | 3.50695 |
| 2004 Review Draft Assessment | 0.95467 | 0.78866 | 1.09845 | 1.10975 | 0.98573 | 1.18225 | 0.64128 | 5.03321 |

156. Figure 1 shows the gross expenses per capita for 2001-02 for the 2004 Review in terms of standardised, actual and standard expenses.

Figure 1 HOMELESS AND GENERAL WELFARE— GROSS EXPENSES PER CAPITA — STANDARDISED, ESTIMATED AND STANDARD, 2001-02



Standardised expenses

157. Table 28 shows the standardised expenses assessed for this category for 2001-02 in the draft assessment compared with that assessed in the 2003 Update.

Table 28 ACTUAL AND STANDARDISED AND EXPENSES, 2001-02

| | Standard | NSW | Vic | Qld | WA | SA | Tas | ACT | NT |
|-----------------------|----------|---------|---------|---------|---------|---------|--------|--------|---------|
| 2003 Update | | | | | | | | | |
| Estimated expenses | | | | | | | | | |
| \$m | | 190.599 | 169.486 | 175.593 | 68.083 | 20.252 | 17.904 | 0.206 | 6.673 |
| \$ per capita | | 28.70 | 34.91 | 47.84 | 35.49 | 13.34 | 37.84 | 0.64 | 33.37 |
| Standardised expenses | | | | | | | | | |
| \$m | | 208.741 | 138.672 | 130.887 | 67.577 | 51.607 | 18.871 | 9.231 | 23.211 |
| \$ per capita | 33.10 | 31.43 | 28.56 | 35.66 | 35.23 | 33.98 | 33.88 | 28.61 | 116.09 |
| 2004 Review | | | | | | | | | |
| Estimated expenses | | | | | | | | | |
| \$m | | 624.237 | 419.876 | 127.530 | 108.940 | 140.407 | 45.176 | 0.206 | 8.972 |
| \$ per capita | | 94.00 | 86.48 | 34.74 | 56.79 | 92.46 | 95.47 | 2.24 | 44.87 |
| Standardised expenses | | | | | | | | | |
| \$m | | 477.243 | 288.231 | 303.502 | 160.243 | 112.686 | 42.111 | 15.577 | 75.753 |
| \$ per capita | 75.28 | 71.864 | 59.368 | 82.687 | 83.538 | 74.202 | 88.996 | 48.274 | 378.882 |

Effect of assessment on grants

158. Table 29 shows the redistribution of grants resulting from the assessment in the 2003 Update and the new assessment.

Table 29 EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION — HOMELESS AND GENERAL WELFARE

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Total ^(a) |
|---|--------------|--------------|-------------|-------------|-------------|------------|-------------|-------------|----------------------|
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Contribution to 2003 Update relativities ^(a) | -12.5 | -24.3 | 10.6 | 4.6 | 1.5 | 3.5 | -1.5 | 18.0 | 38.2 |
| Contribution to 2004 Review Draft Assessments relativities ^(b) | -24.6 | -83.0 | 29.8 | 16.7 | -1.9 | 7.0 | -8.9 | 65.0 | 118.4 |
| Total Change | -12.2 | -58.8 | 19.2 | 12.0 | -3.4 | 3.5 | -7.4 | 47.0 | 81.7 |

(a) Assuming same pool and a constant population.

(b) This figure shows the change in the amount redistributed among the States between the 2003 Update and the 2004 Review Draft Assessment. It does not necessarily equal the difference in the total contributions to the relativities between the two inquiries.

159. Compared with the 2003 Update, the draft assessment redistributed \$118.6 million away from New South Wales, Victoria, South Australia and the ACT to the other States, \$81.7 million more than in the 2003 Update.

160. The main change in the socio-demographic composition assessment has been the application of a higher use weight to the Indigenous population in the SAAP component. Other sources of change were changes to component weights, in particular, the expansion of the Other Welfare component which lead to increases in the grant shares for Queensland, Western Australia, Tasmania and the Northern Territory. Reducing the impact of the administrative scale assessment (by reducing the size of the component to which it applies) had a very small impact on the assessment, less than \$2 million. Most of this was redistributed from the Northern Territory to the other States. The changes in the input cost factors had a much bigger impact (around \$23 million) and led to increases in the redistribution to New South Wales and the Northern Territory. The effects of the assessment changes on grant shares have been accentuated by the large increase in this category's relative importance in the equalisation budget.

USER CHARGES

161. **1999 Review.** In the 1999 Review, user charges for this category were assessed by the equal per capita approach.

162. **State views.** No State commented on the user charges assessment for this category.

163. **Commission decision.** The quantum of user charges for this category is small and remains policy influenced. Given that no State has opposed the assessment, the Commission has decided to continue to assess user charges for this category by the equal per capita method.