

# HOUSING — ASSESSMENT RESULTS

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

## DESCRIPTION OF THE CATEGORY

- 2 The Housing category comprises operating expenses on welfare housing and Indigenous housing, including those of public trading enterprises (PTEs) providing welfare housing services. The category also includes administration costs and explicit interest subsidies paid on State-run home purchase assistance programs, and depreciation of public housing stock. Costs attributable to the housing of State public servants are included in the relevant functional category.
- 3 Specific Purpose Payments included in the assessment are Crisis Accommodation Assistance, Assistance for Housing, Commonwealth State Housing Agreement Block Assistance, the Social Housing Subsidy Program, Housing Assistance for Indigenous People, Community Housing, and State Grants for Indigenous purposes.
- 4 Table 1 shows the average gross expenses and user charges for the last six financial years. In 2006-07, the average expenses of \$161.31 per capita represented 2.51 per cent of total State average expenses. In 2006-07, user charges accounted for 56.72 per cent of average gross expenses associated with this category. User charges for this category are assessed differentially, as reported in Volume 4 of the 2008 Update Working Papers. More detail on the user charges assessment can be found in the Housing User Charges Working Paper.

**Table 1 Housing, average expenses and user charges, 2001-02 to 2006-07**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average expenses (\$pc)	145.33	147.87	156.21	149.02	170.29	161.31
% of total State average expenses	2.82	2.77	2.87	2.62	2.84	2.51
Average user charges (\$pc)	84.25	86.86	82.35	84.40	88.26	91.50
% of average category expenses	57.98	58.74	52.72	56.64	51.83	56.72

Source: Assessment System, U2008 GST/Expenses/ Health and Community Services/Housing/Tables and Chart/Average Expenses and User Charges

## ASSESSMENT METHOD

### Description of the assessment

- 5 The Housing assessment for the 2008 Update was undertaken using six components: fixed costs, public housing management, public housing maintenance, private rental and home purchase assistance, native title and isolation.
- 6 The expenses assessment method for the 2008 Update was the same as for the 2004 Review.
  - Expenses for fixed costs, native title and isolation were assessed using the general methods.
  - The expenses for public housing maintenance were assessed using five factors: socio-demographic composition (with use rates based on Census data on public housing and total dwelling numbers, for all Australia, dissected by measures of remoteness, income, Indigeneity and age group — and some cost weights); population dispersion; input costs; a building maintenance factor; and the likelihood of natural hazards occurring in each State.
  - The expenses for public housing management were assessed using three factors: socio-demographic composition (calculated as an average of factors based on public housing tenant numbers and public housing dwelling numbers); input costs; and population dispersion.
  - The expenses for private rental and home purchase assistance were assessed using the number of low income private renters paying more than 25 per cent of their income in rent and Census data on numbers of low income households.

### Assessment structure

- 7 Table 2 summarises the assessment structure for the 2008 Update. It summarises the components, component weights and factors assessed for this category in 2006-07.
- 8 The proportions of expenses affected by fixed costs, native title and isolation were estimated using the general method.
- 9 Component weights for the public housing management, public housing maintenance and private rental and home purchase assistance components reflected the contribution of the relevant expenses to the category. These weights were derived from expense data from the States.

**Table 2 Housing, assessment structure for the 2008 Update, 2006-07**

Component	Component weight	Factors	Basis of calculation
	%		
Fixed costs	1.59	Input costs	General method, with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
		Administrative scale	General method
Public housing maintenance	55.05	Socio-demographic composition	Calculated by applying use weights derived from Census data to State dwelling numbers dissected by Indigeneity, location, income and age, with a market rent adjustment for low income dwellings. Non-remote Indigenous dwellings received a cost weight of 1.3 and remote Indigenous households received a cost weight of 1.8.
		Input costs	General method, with weights of 20% for wages, 2% for accommodation and 0.5% for electricity.
		Dispersion	General method.
		Building maintenance	Based on a wages input costs factor and a dispersion factor as developed for the Depreciation assessment.
		Natural hazards	To apply natural hazards factor as developed for the Depreciation assessment to 5% of component expenses.
Public housing management	35.78	Socio-demographic composition	An average of factors based on dwellings and factors based on individual tenant numbers. These factors were derived by applying the relevant use weights derived from Census data to, respectively, State dwelling numbers and populations dissected by Indigeneity, location, income and age, with a market rent adjustment for low income dwellings and populations.
		Input Costs	General method, with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
		Dispersion	General method.
Private rental and home purchase assistance	7.47	Socio-demographic composition	Based on the number of low income private renters paying more than 25% of income in rent. A market rent adjustment is applied.
Native title	0.00	Native title	Based on the additional costs incurred by States in the administration of, and compensation claims arising from, the Australian Government <i>Native Title Act 1993</i> (as amended).
Isolation	0.11	Isolation	General method.

**Calculating the category factor**

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

**Table 3 Housing, derivation of category factor for the 2008 Update, 2006-07**

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Fixed Costs (component weight = 1.59 %)</b>								
Administrative scale	0.37113	0.49238	0.61524	1.22207	1.61380	5.17523	7.55705	14.32332
Input costs	1.02528	0.99212	0.98387	0.99199	0.97579	0.95664	1.01939	1.01769
Component factor	0.38051	0.48850	0.60531	1.21227	1.57473	4.95085	7.70359	14.57666
<b>A Wgtd comp factor</b>	<b>0.00606</b>	<b>0.00778</b>	<b>0.00964</b>	<b>0.01931</b>	<b>0.02508</b>	<b>0.07886</b>	<b>0.12270</b>	<b>0.23218</b>
<b>Public Housing Maintenance (component weight = 55.05 %)</b>								
Socio-demographic composition	0.99477	0.88469	1.01210	1.05887	1.10223	1.06529	0.75138	2.64232
Natural hazards	0.99362	0.99661	0.99883	1.01696	1.01278	1.02961	0.97788	1.01647
Dispersion	0.98429	0.97593	1.00939	1.04268	1.00739	0.98986	0.96933	1.50755
Input costs	1.00700	0.99502	1.00030	1.00048	0.98892	0.98141	1.00462	1.00244
Dispersion construction cost	1.00069	0.99381	1.01518	1.00296	0.97432	0.99537	0.94870	1.08614
Wages input costs	1.01064	0.99831	0.99043	0.99505	0.99236	0.98558	1.00860	1.00888
Component factor	0.99093	0.84934	1.02644	1.12108	1.07514	1.04503	0.68506	4.44094
<b>B Wgtd comp factor</b>	<b>0.53808</b>	<b>0.46120</b>	<b>0.55737</b>	<b>0.60875</b>	<b>0.58381</b>	<b>0.56746</b>	<b>0.37199</b>	<b>2.41146</b>
<b>Public Housing Management (component weight = 35.78 %)</b>								
Socio-demographic composition	0.98990	0.88916	1.00872	1.06911	1.04550	1.00445	0.77739	3.17617
Dispersion	0.99940	0.99717	1.00227	1.00357	0.99754	0.99691	0.98914	1.05147
Input costs	1.02528	0.99212	0.98387	0.99199	0.97579	0.95664	1.01939	1.01769
Component factor	1.01433	0.87964	0.99473	1.06435	1.01762	0.95780	0.78402	3.39584
<b>C Wgtd comp factor</b>	<b>0.36238</b>	<b>0.31426</b>	<b>0.35538</b>	<b>0.38025</b>	<b>0.36355</b>	<b>0.34218</b>	<b>0.28010</b>	<b>1.21320</b>
<b>Private Rental and Home Purchase Assistance (component weight = 7.47 %)</b>								
Socio-demographic composition	1.03221	0.98545	0.98223	0.88273	1.17595	1.22682	0.59755	0.61745
Component factor	1.03221	0.98545	0.98223	0.88273	1.17595	1.22682	0.59755	0.61745
<b>D Wgtd comp factor</b>	<b>0.07712</b>	<b>0.07362</b>	<b>0.07338</b>	<b>0.06595</b>	<b>0.08785</b>	<b>0.09166</b>	<b>0.04464</b>	<b>0.04613</b>
<b>Native Title (component weight = 0 %)</b>								
Native title	1.14231	0.00000	3.15002	0.00000	0.00000	0.00000	0.00000	0.00000
Component factor	1.14231	0.00000	3.15002	0.00000	0.00000	0.00000	0.00000	0.00000
<b>E Wgtd comp factor</b>	<b>0.00001</b>	<b>0.00000</b>	<b>0.00004</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>
<b>Isolation (component weight = 0.11 %)</b>								
Isolation	0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083
Component factor	0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083
<b>F Wgtd comp factor</b>	<b>0.00005</b>	<b>0.00008</b>	<b>0.00012</b>	<b>0.00199</b>	<b>0.00121</b>	<b>0.00303</b>	<b>0.00135</b>	<b>0.06478</b>
<b>Category factor</b>	<b>0.98370</b>	<b>0.85694</b>	<b>0.99593</b>	<b>1.07626</b>	<b>1.06151</b>	<b>1.08319</b>	<b>0.82079</b>	<b>3.96775</b>

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

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Housing/Assessed Expenses/Housing Expenditure

11 The category factor was calculated as follows:

$$\begin{aligned} \text{category factor} &= \text{fixed costs} + \text{public housing maintenance} + \\ &\quad \text{public housing management} + \text{private rental and} \\ &\quad \text{home purchase assistance} + \text{native title} + \\ &\quad \text{isolation} \\ \text{where} \\ \text{fixed costs} &= 0.0159 * [\text{administrative scale} * \text{fixed costs input} \\ &\quad \text{costs}] \\ \text{Public housing} &= 0.5505 * [\text{maintenance socio-demographic} \\ \text{maintenance} &\quad \text{composition factor} * \text{natural hazards} * \\ &\quad (\text{maintenance input costs} + \text{maintenance} \\ &\quad \text{dispersion} - 1) * (\text{construction costs dispersion} * \\ &\quad \text{wages input costs} - 1)] \\ \text{Public housing} &= 0.3578 * [\text{management socio-demographic} \\ \text{management} &\quad \text{composition factor} * (\text{management dispersion} + \\ &\quad \text{management input costs} - 1)] \\ \text{Private rental and} &= 0.0747 * [\text{private rental and home purchase} \\ \text{home purchase} &\quad \text{assistance socio-demographic composition} \\ \text{assistance} &\quad \text{factor}] \\ \text{Native title} &= 0.0000 * [\text{native title}] \\ \text{Isolation} &= 0.0011 * [\text{isolation factor}] \end{aligned}$$

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

## RESULTS FOR 2006-07

13 Table 14 at the end of this working paper summarises the results of the assessment. It shows the actual and assessed expenses for each State, as well as average expenses, for all years of the 2008 Update.

14 Table 4 shows actual, average and assessed expenses per capita and the assessed cost of providing services ratio for the assessment in 2006-07. A State's assessed cost of providing services ratio is the ratio of assessed gross expenses per capita to average gross expenses per capita. The assessed cost of service provision ratios are equivalent to the category factors shown in Table 3.

**Table 4 Housing, assessment results, 2006-07**

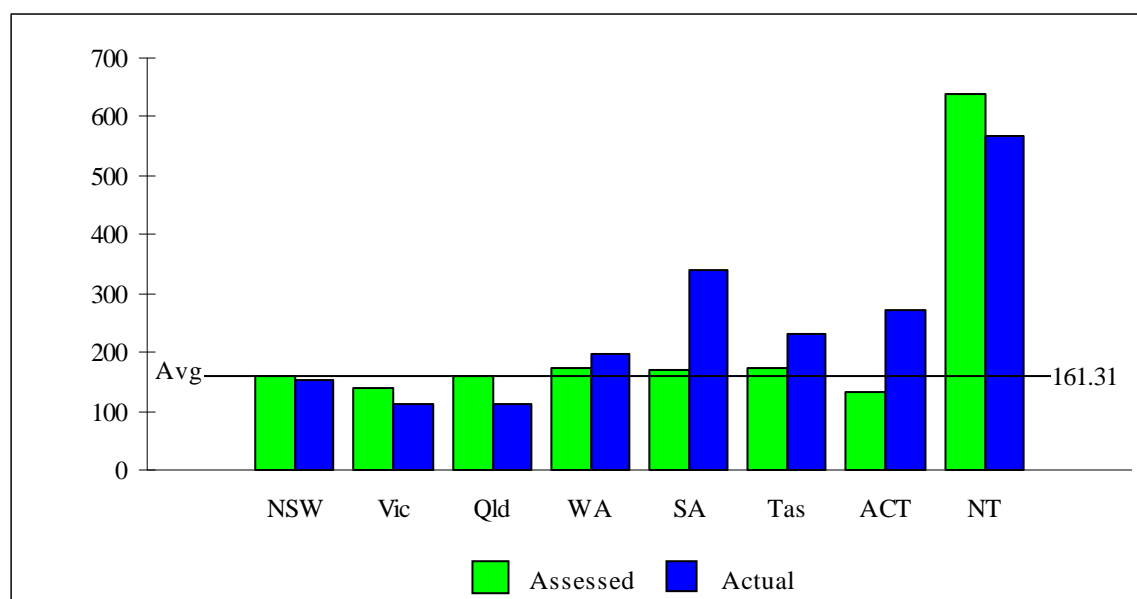
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	151.74	112.94	112.68	198.55	340.03	231.47	270.18	566.42	161.31
Assessed expenses	158.68	138.23	160.65	173.61	171.23	174.73	132.40	640.04	161.31
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	98.37	85.69	99.59	107.63	106.15	108.32	82.08	396.77	100.00

Note: ACT expenses may include municipal expenses

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

Source: Assessment System, U2008 GST/Expenses/ Health and Community Services/Housing/Tables and Chart/4160 E Assessment Results

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

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

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Housing/Tables and Chart/4160 E Expenses Per Capita - Assessed, Actual and Average

## CONTRIBUTION TO GST REVENUE DISTRIBUTION

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

**Differences from an equal per capita assessment**

- 17 Table 5 shows that, compared with an equal per capita (EPC) assessment, the 2008 Update redistributed \$174.4 million from New South Wales, Victoria and the ACT to the other States.
- 18 The main driver of this assessment was socio-demographic composition, which recognised the differences in State population characteristics, such as age, Indigeneity, income, and location that drove the use or cost of services. States with above average proportions of their populations who were high and costly users of public housing were assessed to have above average needs.
- 19 Other drivers included:
- input costs, recognising the differences between States in their costs of supplying services, notably their cost of labour;
  - administrative scale, recognising the unavoidable costs each State incurred to have the policy and administrative infrastructure necessary to provide the service, regardless of the size of the task;
  - natural hazards, recognising the differences between States in costs associated with managing the risk of natural hazards arising from differences in their physical environments;
  - dispersion, recognising the differences in maintenance and construction costs associated with the spread of population (including the additional costs for dwellings in remote areas); and
  - isolation, recognising the additional costs incurred by the States, attributable to the distances of States from other State capitals and sources of supply.

**Table 5 Housing, contribution of assessment to GST revenue distribution, 2008 Update**

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Fixed costs</b>									
Administrative scale	-12.2	-7.4	-4.4	1.4	2.6	5.7	6.2	8.1	23.9
Input costs	0.6	-0.1	-0.3	-0.1	-0.1	-0.1	0.0	0.0	0.6
Component factor	-11.9	-7.4	-4.5	1.3	2.5	5.4	6.3	8.3	23.8
<b>Public housing maintenance</b>									
Socio-demographic composition	-11.4	-62.9	12.1	17.7	15.0	2.5	-8.1	35.2	82.4
Natural hazards	-4.7	-1.8	-0.1	3.7	1.9	1.4	-0.7	0.4	7.4
Dispersion	-10.8	-12.5	3.9	8.9	1.2	-0.5	-1.0	10.8	24.8
Input costs	6.7	-0.8	-3.0	-1.0	-1.5	-0.8	0.2	0.1	7.1
Construction costs	0.5	-3.2	6.3	0.6	-4.0	-0.2	-1.7	1.8	9.2
Wages input costs	8.3	-0.8	-4.7	-1.3	-1.4	-0.7	0.3	0.2	8.9
Component factor	-20.7	-85.5	8.6	26.3	8.3	0.9	-10.6	72.8	116.9
<b>Public housing management</b>									
Socio-demographic composition	-8.2	-38.0	5.5	11.8	3.9	-0.3	-4.3	29.6	50.8
Dispersion	-0.3	-1.0	0.6	0.5	-0.3	-0.1	-0.2	0.7	1.8
Input costs	13.7	-1.4	-7.2	-2.1	-2.6	-1.3	0.5	0.3	14.5
Component factor	4.4	-40.4	-1.6	9.9	0.8	-1.7	-4.1	32.8	47.9
<b>Private rental and home purchase assistance</b>									
Socio-demographic composition	1.5	-1.9	0.5	-2.3	3.6	1.4	-1.7	-1.0	7.0
Component factor	1.5	-1.9	0.5	-2.3	3.6	1.4	-1.7	-1.0	7.0
<b>Native title</b>									
Native title	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Component factor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Isolation</b>									
Isolation	-1.3	-1.0	-0.7	0.3	0.0	0.2	0.0	2.5	3.0
Component factor	-1.3	-1.0	-0.7	0.3	0.0	0.2	0.0	2.5	3.0
<b>Redistribution from EPC resulting from the 2008 Update assessment</b>									
	-28.0	-136.2	2.1	35.6	15.3	6.1	-10.2	115.3	174.4

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

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Housing/Tables and Chart/4160 E Contribution of Assessment to GST Revenue.

20 Table 6 shows the number of public housing dwellings and total dwellings. The data were derived from 2006 Census data. They indicate that there was a greater proportion of public

housing dwellings where at least one person was Indigenous, the annual income of residents was low, or the dwellings were in remote areas. Provision rates based on numbers of people in public housing and total populations displayed similar relationships — although, reflective of overcrowding, the proportion of Indigenous people who live in public housing was even larger than the proportion of public housing dwellings where at least one person was Indigenous.

**Table 6 Public housing dwellings and provision rates(a), 2006 Census**

Dwelling type	Number of public housing dwellings	Total number of dwellings	Percentage that are public housing
<b>Indigeneity</b>			
Indigenous	49 503	166 946	29.7
Non-Indigenous	322 001	7 428 405	4.3
<b>Annual income</b>			
High (\$33 600 or higher)	84 193	5 079 955	1.7
Low (Less than \$33 600)	287 310	2 515 396	11.4
<b>Location</b>			
In highly accessible areas	252 459	5 139 072	5.3
In accessible and moderately accessible areas	97 711	2 277 549	4.4
In remote and very remote areas	21 334	178 730	10.8
<b>Total</b>	<b>371 504</b>	<b>7 595 351</b>	<b>4.9</b>

(a) The factor calculations were based on provision rates broken down by Indigeneity, income, location and age. Source: ABS, 2006 Census, special data request.

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

**Table 7 Dwelling types as a percentage of total State dwelling numbers, 2006 Census**

Dwelling type	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
<b>Indigeneity</b>									
Indigenous	2.3	0.8	3.1	2.4	1.6	4.2	1.5	16.7	2.2
Non-Indigenous	97.7	99.2	96.9	97.6	98.4	95.8	98.5	83.3	97.8
<b>Annual income</b>									
Less than \$33 600	33.5	33.1	32.3	30.7	38.2	41.4	18.2	23.6	33.1
\$33 600 or higher	66.5	66.9	67.7	69.3	61.8	58.6	81.8	76.4	66.9
<b>Location</b>									
In highly accessible areas	69.7	74.0	54.4	71.7	72.7	35.5	99.9	55.3	67.7
In accessible and moderately accessible areas	29.0	25.9	42.0	21.7	24.6	63.9	0.1	12.9	30.0
In remote and very remote areas	1.4	0.1	3.6	6.6	2.6	0.6	0.0	31.8	2.4

Source: ABS, 2006 Census, special data request.

22 The category factors reflected the following on a State by State basis:

- *New South Wales* — This State required a less than equal per capita share of GST revenue because of its relatively lower than average proportions of people in remote areas — for whom the use of public housing is higher; its scale economies in providing policy and administrative infrastructure; and its lower maintenance costs arising from a less dispersed population compared with most other States. These effects were partially offset by its higher input costs.
- *Victoria* — This State required a significantly lower than equal per capita share of GST revenue, reflecting the combination of its significantly lower than average proportion of Indigenous people — a high use and cost group, and its significantly lower than average proportions of people in remote areas compared with most other States. It also has administrative scale and population dispersion advantages.
- *Queensland* — Its equal per capita share of GST revenue reflected its above average demand for public housing — arising from its high proportions of people in remote areas and Indigenous people — being offset by its lower than average input costs and administrative scale disadvantage.
- *Western Australia* — Its greater than equal per capita share of GST revenue reflected its high proportions of people in remote areas and Indigenous people and the added costs arising from a dispersed population.
- *South Australia* — Its greater than equal per capita share of GST revenue reflected its higher than average proportions of people on low incomes and people living in remote areas.

- *Tasmania* — Tasmania’s redistribution mainly reflected its higher than average per capita diseconomies of providing the policy and administrative infrastructure and a higher than average proportion of people on low incomes. These effects were partially offset by the relatively lower costs of renting privately, decreasing the need for public housing. However, as this adjustment was discounted by 75 per cent, the effect of the adjustment was not large<sup>1</sup>.
- *ACT* — Its less than equal per capita share of GST revenue reflected its relatively lower than average proportion of people on low incomes, people in remote areas and Indigenous people for whom the use of public housing is higher. These effects were partially offset by its higher than average per capita diseconomies of providing the policy and administrative infrastructure and the relatively lower costs of renting privately.
- *Northern Territory* — The Northern Territory’s much larger than equal per capita share of GST revenue resulted from its much higher than average proportions of people living in remote areas and Indigenous people.

## CHANGES SINCE THE 2007 UPDATE

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

- 23 Table 8 shows the distribution of GST revenue resulting from the assessments in the 2007 Update and the 2008 Update. It shows that the Housing assessment now redistributes much less than in the 2007 Update —\$174 million, down from \$208 million. Assessed State costs of providing public housing services have converged.
- 24 The table also shows that the changes were brought about because the Commission:
- used revised financial data in the average expenses and other revised data in factor calculations for the years 2001-02 to 2005-06; and
  - replaced 2001-02 average expenses and factors with those of 2006-07 to move forward the five-year period on which GST revenue distribution was based. Moving the five-year period forward in this way ensures the assessments reflect recent trends in State priorities on the services provided and recent trends in State demographic, and economic circumstances on the relative costs of those services.
- 25 With the availability of 2006 Census data, these have now been included in the socio-demographic composition factor calculations for the years 2004-05 through 2006-07, while 2001 Census data have continued to be used in the calculations for the earlier assessment years.

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<sup>1</sup> The market rent adjustment was discounted because not all low income households in housing stress were accommodated in public housing — their needs might have been met through other forms of housing assistance or not met at all. Because only one quarter of households requiring housing assistance had their needs addressed by public housing, the market rent adjustment was discounted by 75 per cent.

**Table 8 Housing, effect of assessment on GST revenue distribution, 2007 Update to 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Redistribution from EPC resulting from the 2007 Update assessment (a)</b>	-50.1	-148.9	24.4	46.6	13.3	6.0	-8.9	117.7	208.0
<b>Effect of revising category averages and factors for 2001-02 to 2005-06</b>									
Category average	-1.4	-4.0	0.8	1.2	0.4	0.2	-0.2	3.1	5.7
Category factors	15.2	7.1	-16.3	-6.3	1.0	0.0	-1.0	0.3	23.6
Interactions	1.1	0.5	-1.2	-0.5	0.1	0.0	-0.1	0.0	1.7
Total	14.8	3.6	-16.6	-5.6	1.5	0.1	-1.3	3.4	23.5
<b>Effect of replacing 2001-02 category averages and factors with those for 2006-07</b>									
Category average	1.9	6.0	-0.9	-1.9	-0.5	-0.3	0.4	-4.8	8.4
Category factors	6.4	3.7	-5.8	-4.3	1.3	0.2	-0.3	-1.2	11.6
Interactions	-1.1	-0.6	1.0	0.8	-0.2	0.0	0.1	0.2	2.0
Total	7.2	9.1	-5.7	-5.5	0.6	0.0	0.1	-5.8	17.0
<b>Redistribution from EPC resulting from the 2008 Update assessment (a)</b>	-28.0	-136.2	2.1	35.6	15.3	6.1	-10.2	115.3	174.4
<b>Total effect of revisions and updating (b)</b>	22.1	12.7	-22.2	-11.0	2.0	0.1	-1.2	-2.4	36.9

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

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

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Housing/Tables and Chart/4160 E Effect of Assessment, Previous Inquiry to Current Inquiry

- 26 The total effect of revisions and updating was to reduce the amount redistributed and to redistribute \$36.9 million across States. The biggest redistributions have been from Queensland and Western Australia and to New South Wales and Victoria.
- 27 Table 9 shows the changes in GST revenue attributable to changes in each factor arising from both revisions over the period 2001-02 to 2005-06 and replacing 2000-01 data with 2006-07 data. Changes in socio-demographic composition between the two updates have been the principal reasons for changes in revenue distribution across the States.

**Table 9 Housing, effect of assessment on GST revenue distribution by factor, 2007 Update to 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Fixed costs</b>									
Administrative scale	0.8	0.2	0.0	-0.1	-0.1	-0.3	-0.2	-0.3	1.0
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<b>Public housing maintenance</b>									
Socio-demographic composition	14.2	7.5	-14.6	-7.1	0.7	0.1	-0.3	-0.6	22.6
Natural hazards	0.4	0.0	-0.2	-0.2	0.0	0.0	0.0	0.0	0.4
Dispersion	0.2	0.0	0.1	-0.2	0.0	0.0	0.0	-0.2	0.4
Input costs	-0.7	0.0	0.5	0.1	0.2	0.0	0.0	-0.1	0.9
Construction costs	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.2
Wages input costs	-0.7	0.0	0.5	0.1	0.2	0.0	0.0	-0.1	0.9
<b>Public housing management</b>									
Socio-demographic composition	6.9	2.7	-7.3	-3.1	0.6	0.1	-0.7	0.8	11.1
Dispersion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Input costs	-1.4	-0.4	1.3	0.4	0.3	0.0	0.0	-0.1	1.9
<b>Private rental and home purchase assistance</b>									
Socio-demographic composition	2.6	1.8	-2.9	-1.3	0.0	0.0	-0.1	-0.1	4.5
<b>Native title</b>									
Native title	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1
<b>Isolation</b>									
Isolation	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.2

Source: Assessment System, U2008 GST/Expenses/ Health and Community Services/Housing/Tables and Chart/4160 E Effect of Assessment by Factor, Previous Inquiry to Current Inquiry

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

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

#### *Revising average expenses*

- 29 There were some significant upward revisions for this category for 2004-05 (\$163 million) and 2005-06 (\$375 million). This resulted in a \$5.7 million GST revenue redistribution with decreases in the GST revenue shares of the States assessed to have below average costs of providing services ratios in those years (New South Wales, Victoria and the ACT).
- 30 The revisions were mainly to South Australian and Northern Territory data. South Australian expenses were revised upwards by \$303 million in 2005-06 (replacement of 2005-06 UPF data with GFS data) and by \$66 million in 2004-05. Northern Territory expenses were revised

upwards by \$94 million in 2004-05 as a consequence of a reclassification from the Culture category.

- 31 Table 10 shows the average expenses for the six financial years of this update and those of the previous update.

**Table 10 Housing, Average expenses used in the 2007 and 2008 Updates**

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2008 Update		145.33	147.87	156.21	149.02	170.29	161.31
2007 Update	131.31	145.23	148.43	155.74	146.19	152.66	
Difference	-	0.10	-0.56	0.48	2.83	17.62	-

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Housing/Tables and Chart/4160 E Average Expenses Used in the 2007-08 Updates

*Revising category factors*

- 32 A significant redistribution of GST (\$23.6 million) occurred as a result of revisions to category factors. The redistributions were essentially due to the effect of incorporating 2006 Census data (Table 11).

**Table 11 Housing, GST revenue redistributions resulting from revisions to category factors**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust.
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Total redist <sup>n</sup>	15.2	7.1	-16.3	-6.3	1.0	0.0	-1.0	0.3	23.6
Impact of Census	14.9	7.1	-16.5	-6.4	1.0	0.1	-0.9	0.6	23.7
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Total redist <sup>n</sup> net of Census impact	0.04	0.02	0.05	0.02	0.01	-0.31	-0.50	-1.38	0.03

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

- 33 The redistributions from Queensland and Western Australia reflected to a significant degree a relatively large drop in the measured share of low income dwellings (and also persons on low income) in total dwelling numbers (total population) for these States. Low income dwellings and persons on low income were a key driver of category expenses. (For the 2001 Census, low income dwellings were defined as those with household incomes less than \$31200, while for the 2006 Census they were defined as dwellings with household incomes less than \$33800.)
- 34 Table 12 shows for each State the proportion of low income dwellings in total dwelling numbers for the 2006 and 2001 Censuses. For New South Wales and Victoria falls in these shares were muted compared to the Australian average, leading to redistributions to these States.

**Table 12 Housing, State shares of low income dwellings in total dwellings**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
2006 Census	33.5	33.1	32.3	30.7	38.2	41.4	18.2	23.6	33.1
2001 Census	34.7	34.0	38.2	35.5	40.4	44.9	20.4	27.4	35.7
Change	-1.2	-0.9	-6.0	-4.8	-2.2	-3.6	-2.2	-3.8	-2.6

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

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

35 Table 13 shows the actual expenses and implied costs of service provision for 2000-01, the year that drops out of the assessment period, and 2005-06, the year that comes in, for the 2008 Update assessment.

#### *Replacing average expenses*

36 Since 2001-02, State spending on this function increased by 18.5 per cent, below the 43.9 per cent growth in the GST pool. The category therefore became less important to the calculation of relativities, resulting in a lesser redistribution of GST revenue (\$8.4 million). In consequence, GST revenue shares increased in States with below average 2001-02 costs of providing services ratios — New South Wales, Victoria and the ACT — and decreased in States with above average costs.

**Table 13 Housing, actual expenses and assessed cost of providing services, 2001-02 and 2007-08**

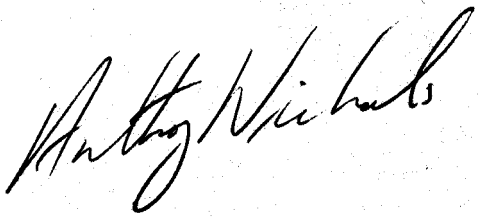
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2001-02	136.87	124.06	113.86	142.35	293.28	155.60	164.98	369.04	145.33
2006-07	151.74	112.94	112.68	198.55	340.03	231.47	270.18	566.42	161.31
	%	%	%	%	%	%	%	%	%
Change between 2001-02 and 2006-07	10.86	-8.96	-1.03	39.48	15.94	48.76	63.76	53.49	11.00
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	139.80	122.18	149.76	163.76	151.58	155.78	123.02	596.63	145.33
2006-07	158.68	138.23	160.65	173.61	171.23	174.73	132.40	640.04	161.31
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	96.20	84.07	103.05	112.68	104.30	107.19	84.65	410.54	100.00
2006-07	98.37	85.69	99.59	107.63	106.15	108.32	82.08	396.77	100.00

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Housing/Tables and Chart/4160 E Assessment Data, Year 0 and Year 5

*Replacing category factors*

- 37 For New South Wales, Victoria, South Australia and Tasmania, the 2006-07 cost of providing services ratios were higher than the 2001-02 ratios. Replacing the category factors therefore increased their shares of GST revenue (by \$11.6 million). Replacing the category factors reduced the shares of the other States. The Queensland cost of providing services ratio moved from above the average to just below the average.
- 38 The observed changes were largely driven by the incorporation of 2006 Census data into the socio-demographic composition factors (see earlier discussion). The 2006 Census data were included in the factor calculations for the years 2004-05 through 2006-07 (i.e. two years were reflected in the revision effect while one year was reflected in the replacement effect).

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

A handwritten signature in black ink that reads "Anthony Nichols". The signature is written in a cursive style and is positioned on the left side of the page.

Date: 29/02/08

**Table 14 Assessment of expenses, Housing**

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
<b>Average Expenses</b>		147.87		156.21		149.02		170.29		161.31
New South Wales										
Assessed difference	- 35.688	- 5.36	- 39.456	- 5.90	- 8.796	- 1.31	- 10.713	- 1.58	- 18.027	- 2.63
Expenses - Assessed	948.073	142.50	1 006.009	150.32	994.524	147.72	1 145.376	168.71	1 087.884	158.68
Actual	957.278	143.89	1 037.383	155.01	973.511	144.59	1 050.406	154.72	1 040.300	151.74
Victoria										
Assessed difference	- 110.741	- 22.62	- 117.707	- 23.75	- 100.904	- 20.10	- 120.374	- 23.64	- 119.251	- 23.08
Expenses - Assessed	613.131	125.25	656.502	132.46	647.098	128.92	746.565	146.64	714.322	138.23
Actual	593.163	121.17	515.106	103.93	518.480	103.30	572.690	112.49	583.629	112.94
Queensland										
Assessed difference	14.369	3.81	18.344	4.75	- 13.034	- 3.29	- 11.032	- 2.72	- 2.715	- 0.66
Expenses - Assessed	571.457	151.68	621.750	160.96	576.557	145.73	678.443	167.56	664.403	160.65
Actual	478.492	127.01	450.374	116.60	465.379	117.63	500.043	123.50	466.012	112.68
Western Australia										
Assessed difference	36.489	18.82	37.670	19.14	21.024	10.51	24.421	11.98	25.611	12.30
Expenses - Assessed	323.134	166.69	345.132	175.35	319.066	159.53	371.572	182.27	361.465	173.61
Actual	292.753	151.02	397.515	201.97	330.976	165.49	401.944	197.17	413.382	198.55
South Australia										
Assessed difference	9.576	6.27	11.264	7.33	13.487	8.72	16.702	10.70	15.643	9.92
Expenses - Assessed	235.274	154.14	251.252	163.55	243.970	157.74	282.434	180.99	269.971	171.23
Actual	352.179	230.73	397.290	258.60	410.992	265.73	635.230	407.07	536.105	340.03
Tasmania										
Assessed difference	4.146	8.73	4.612	9.60	5.202	10.73	6.173	12.64	6.598	13.42
Expenses - Assessed	74.391	156.60	79.702	165.81	77.450	159.75	89.354	182.93	85.905	174.73
Actual	92.500	194.72	108.670	226.07	120.252	248.04	110.518	226.25	113.800	231.47
Australian Capital Territory										
Assessed difference	- 7.175	- 22.13	- 7.487	- 22.95	- 8.308	- 25.29	- 10.494	- 31.59	- 9.733	- 28.91
Expenses - Assessed	40.757	125.73	43.471	133.26	40.652	123.74	46.082	138.70	44.579	132.40
Actual	52.402	161.66	102.398	313.90	97.834	297.79	97.159	292.44	90.966	270.18
Northern Territory										
Assessed difference	89.023	446.37	92.761	461.71	91.327	447.08	105.317	504.58	101.874	478.73
Expenses - Assessed	118.514	594.23	124.145	617.92	121.768	596.11	140.860	674.87	136.201	640.04
Actual	105.961	531.30	119.226	593.44	103.660	507.46	132.696	635.76	120.536	566.42

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

Source: Assessment System, U2008 GST/Expenses/ Health and Community Services/Housing/Tables and Chart/4160 E Assessment of Expenses