HOUSING USER CHARGES — ASSESSMENT RESULTS

1 This working paper describes the assessment for Housing User Charges and provides information on its impact on the GST revenue distribution for the 2008 Update. The assessment method is discussed in Volume 3 of the 2004 Review Working Papers.

DESCRIPTION OF THE CATEGORY

2 The Housing User Charges category comprises rents collected for public housing. Interest earnings relating to financial investment activities of housing authorities are offset against debt charges.

3 Table 1 shows the average user charges for the last six financial years. In 2006-07 average user charges revenue for this category was $91.50 per capita. User charges accounted for 56.72 per cent of average expenses associated with the Housing category.

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 user charges ($pc)	84.25	86.86	82.35	84.40	88.26	91.50
% of total user charges	14.56	14.10	13.27	13.13	12.86	12.85
% of category average 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/4160 R Average User Charges

ASSESSMENT METHOD

Description of the assessment

4 The Housing User Charges assessment for the 2008 Update was the same as for the 2007 Update. It consisted of a socio-demographic composition use rate factor, analogous to that used for the public housing maintenance component of the Housing expenses category (see Volume 4 of the 2008 Update Working Papers), that determined the assessed number of public

housing dwellings per State, taking into account census-based State differences in population composition by Indigeneity, income, age and location.

5 Weights were applied to reflect the capacity to raise revenue from different income groups:

- a market rent adjustment was applied to low income groups to reflect the fact that higher market rent increased the likelihood of low income households requiring public housing; and
- a revenue weight was applied to low income households to reflect the proportion of market rent they paid.

Assessment structure

6 Table 2 summarises the assessment structure for the 2008 Update.

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

Component	Component weight	Factors	Basis of calculation
	%		
User charges	100.00	User charges factor	Takes account of differences in the numbers of households in each State likely to be in public housing based on their Indigeneity, household income, age and location status characteristics, with weights to capture the capacity to raise revenue from different income groups.

Calculating the category factor

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

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

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Housing user charges (component weight = 100 %)								
User charges	1.00097	0.91546	1.00066	1.03773	1.10663	1.05241	0.80179	2.04207
Component factor	1.00097	0.91546	1.00066	1.03773	1.10663	1.05241	0.80179	2.04207
A Wgtd comp factor	1.00097	0.91546	1.00066	1.03773	1.10663	1.05241	0.80179	2.04207
Category factor	1.00097	0.91546	1.00066	1.03773	1.10663	1.05241	0.80179	2.04207

Note: Component factor rebased so that the average is 1.00000. Category factor = (A)
Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Housing/Assessed User Charges/QA 4160 R Housing Standardised User Charges

8 The category factor was calculated as follows:

category factor = user charges factor

RESULTS FOR 2006-07

9 Table 10 at the end of this working paper summarises the results of the assessment. It shows the actual and assessed user charges for each State, as well as average expenses, for all years of the 2008 Update.

10 Table 4 shows actual, average and assessed user charges per capita and the assessed revenue raising capacity ratio for the assessment in 2006-07. A State's assessed revenue raising capacity ratio is the ratio of its assessed user charges per capita to average user charges per capita. A State's capacity to raise revenue from public housing is reduced if it has a lower demand for public housing and also if tenants have lower incomes and therefore a lower capacity to pay user charges. Demand is influenced by income, location, Indigenous status and affordability of private rental properties. The assessed revenue raising capacity ratios are equivalent to the category factors shown in Table 3.

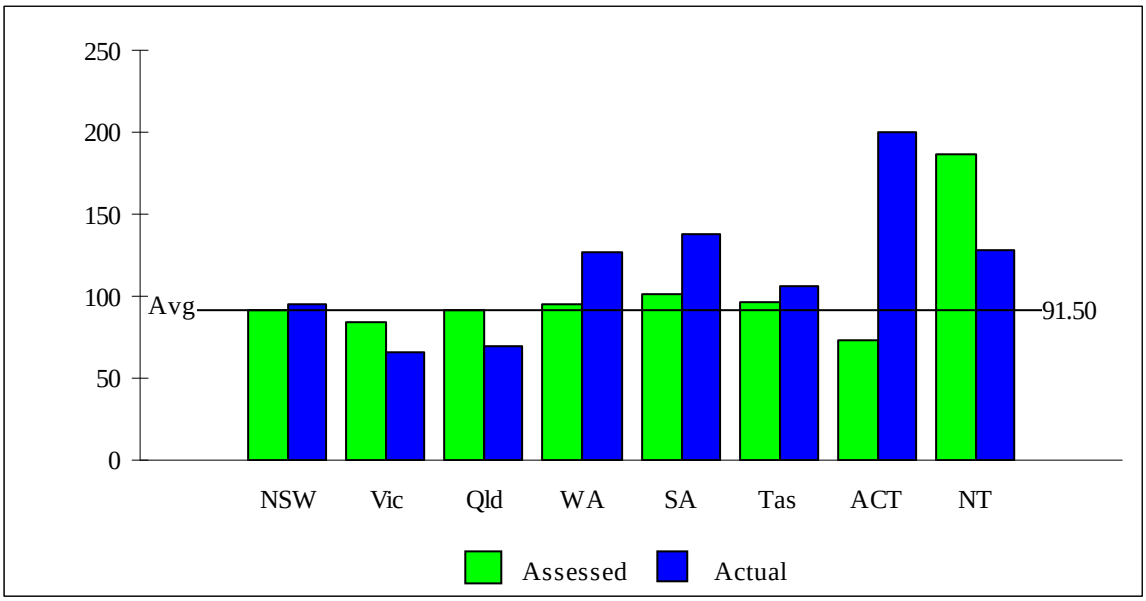
Table 4 Housing User Charges, assessment results, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	$pc	$pc	$pc	$pc	$pc	$pc	$pc	$pc	$pc
Actual user charges	95.28	66.08	69.42	126.27	137.85	105.95	199.43	128.45	91.50
Assessed user charges	91.59	83.77	91.56	94.95	101.26	96.30	73.37	186.85	91.50
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratio(a)	100.10	91.55	100.07	103.77	110.66	105.24	80.18	204.21	100.00

Note: ACT user charges may include municipal user charges.
(a) The revenue raising capacity ratio is the ratio of assessed user charges per capita to average user charges per capita.
Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Housing/Tables and Chart/4160 R Assessment Results

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

Figure 1 Housing User Charges, revenue per capita — assessed, actual and average, 2006-07



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

CONTRIBUTION TO GST REVENUE DISTRIBUTION

12 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 assessment.

Table 5 Housing User Charges, 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
Housing user charges									
Housing user charges	5.2	45.6	-5.8	-11.9	-15.9	-1.9	6.3	-21.6	57.1
Cont. to category factor	5.2	45.6	-5.8	-11.9	-15.9	-1.9	6.3	-21.6	57.1
Redistribution from EPC resulting from the 2008 Update assessment	5.2	45.6	-5.8	-11.9	-15.9	-1.9	6.3	-21.6	57.1

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

Differences from an equal per capita assessment

13 Table 5 shows that, compared with an equal per capita (EPC) assessment, the 2008 Update redistributed $57.1 million from Queensland, Western Australia, South Australia, Tasmania and

the Northern Territory to the other States. The only driver of this assessment was the user charges factor. The factor reflected differences in the numbers of households in each State likely to be in public housing based on their Indigeneity, household income, age and location status characteristics, and the capacity of tenants from different income groups to pay rent.

14 The pattern of redistributions across the States was the converse of the pattern of redistributions for the socio-demographic composition factors used for public housing maintenance in the Housing expenses category assessment. The key difference was that the cost weights for Indigenous and remote Indigenous dwellings were not applied in the Housing user charges assessment. The category reflected the following on a State by State basis:

- *New South Wales* — This State required a more 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.
- *Victoria* — This State required a significantly higher than equal per capita share of GST revenue, reflecting the combination of its significantly lower than average proportion of Indigenous people — a high use group, and its significantly lower than average proportions of people in remote areas compared with most other States.
- *Queensland* — The modest redistribution of GST revenue from Queensland reflected its above average demand for public housing — arising from its high proportions of people in remote areas and Indigenous people.
- *Western Australia* — The redistribution of GST revenue from this State reflected its high proportions of people in remote areas and of Indigenous people.
- *South Australia* — The redistribution of GST revenue from South Australia reflected its higher than average proportions of people on low incomes and people living in remote areas.
- *Tasmania* — Tasmania's redistribution mainly reflected 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[1].
- *ACT* — Its more 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.

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[1] 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.

- *Northern Territory* — The Northern Territory's much lower 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

15 Table 6 shows the distribution of GST revenue resulting from the assessments in the 2007 Update and the 2008 Update. It shows that the Housing (user charges) assessment now redistributes less than in the 2007 Update —$57.1 million, down from $76.5 million. Assessed State revenue raising capacities for housing user charges have converged.

16 Changes in the distribution of GST revenue between the 2007 Update and the 2008 Update were brought about because the Commission:

- used revised financial data in the average expenses and other revised data in factor calculations for the years 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.

17 With the availability of 2006 Census data, these have now been included in the socio-demographic composition factor calculations for the years 2004-05 through 2006-07, while 2001 Census data have continued to be used in the calculations for the earlier assessment years.

Table 6 Housing User Charges, 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
Redistribution from EPC resulting from the 2007 Update assessment (a)	16.8	53.6	-19.1	-17.5	-16.3	-1.7	6.1	-21.9	76.5
Effect of revising category averages and factors for 2001-02 to 2005-06									
Category average	-0.2	-0.7	0.3	0.2	0.2	0.0	-0.1	0.3	0.9
Category factors	-7.5	-3.4	8.9	2.9	-0.4	-0.1	0.4	-0.9	12.1
Interactions	0.2	0.1	-0.3	-0.1	0.0	0.0	0.0	0.0	0.4
Total	-7.4	-3.9	8.9	3.0	-0.1	-0.1	0.3	-0.6	12.1
Effect of replacing 2001-02 category averages and factors with those for 2006-07									
Category average	-0.8	-2.4	0.9	0.8	0.7	0.1	-0.3	1.0	3.5
Category factors	-4.2	-2.0	4.3	2.3	-0.3	-0.2	0.1	-0.2	6.8
Interactions	0.8	0.4	-0.8	-0.5	0.1	0.0	0.0	0.0	1.3
Total	-4.1	-4.1	4.3	2.7	0.5	-0.1	-0.2	0.9	8.4
Redistribution from EPC resulting from the 2008 Update assessment (a)	5.2	45.6	-5.8	-11.9	-15.9	-1.9	6.3	-21.6	57.1
Total effect of revisions and updating (b)	-11.6	-8.0	13.2	5.7	0.3	-0.1	0.1	0.3	19.6

(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 R Effect of Assessment, Previous Inquiry to Current Inquiry

18 The total effect of revisions and updating was to reduce the amount redistributed and to redistribute $19.6 million across States. The biggest redistributions were from New South Wales and Victoria and to Queensland and Western Australia.

19 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 user charges

20 There were only minor revisions to the housing user charges data, with consequent minimal GST revenue redistributions.

21 Table 7 shows the average expenses and user charges for the six financial years of this update and those of the previous update.

Table 7 Housing User Charges, Average user charges 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		84.25	86.86	82.35	84.40	88.26	91.50
2007 Update	79.71	84.28	86.96	82.51	87.71	91.35	
Difference	-	-0.03	-0.10	-0.16	-3.31	-3.10	-

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

Revising category factors

22 A significant redistribution of GST ($12.1 million) occurred as a result of revisions to category factors. The redistributions were wholly due to the effect of incorporating 2006 Census data.

23 The redistribution to Queensland and Western Australia reflected to a significant degree a relatively large drop in the measured share of low income dwellings in total dwelling numbers for these States. Low income dwellings were a key driver of category expenses. (For the 2001 Census, low income dwellings were defined as those with household incomes less than $31 200, while for the 2006 Census they were defined as dwellings with household incomes less than $33 800.) Table 8 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 from these States. The redistribution from the Northern Territory reflects a greater assessed revenue raising capacity stemming from the interaction between a significant increase in the proportion of public housing in remote areas of Australia between the two census dates and the large percentage of Northern Territory dwellings that are in remote areas.

Table 8 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

24 Table 9 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 2007 Update assessment.

Replacing average expenses

25 Since 2001-02, State housing user charges increased by 16.0 per cent, less than 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 ($3.5 million). In consequence, GST revenue shares reduced in States with below average 2001-02 revenue raising capacity ratios — New South Wales, Victoria and the ACT — and decreased in States with above average revenue raising capacity ratios.

Table 9 Housing User Charges, actual and assessed revenue raising capacity, 2001-02 and 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	$pc	$pc	$pc	$pc	$pc	$pc	$pc	$pc	$pc
Actual user charges									
2001-02	81.14	91.82	53.65	73.65	133.20	97.40	162.04	140.99	84.25
2006-07	95.28	66.08	69.42	126.27	137.85	105.95	199.43	128.45	91.50
	%	%	%	%	%	%	%	%	%
Change between 2001-02 and 2006-07	17.43	-28.04	29.41	71.44	3.49	8.78	23.08	-8.89	8.60
	$pc	$pc	$pc	$pc	$pc	$pc	$pc	$pc	$pc
Assessed user charges									
2001-02	82.27	75.82	88.03	91.42	92.64	87.51	69.10	169.43	84.25
2006-07	91.59	83.77	91.56	94.95	101.26	96.30	73.37	186.85	91.50
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratios									
2001-02	97.64	89.99	104.49	108.50	109.96	103.87	82.02	201.09	100.00
2006-07	100.10	91.55	100.07	103.77	110.66	105.24	80.18	204.21	100.00

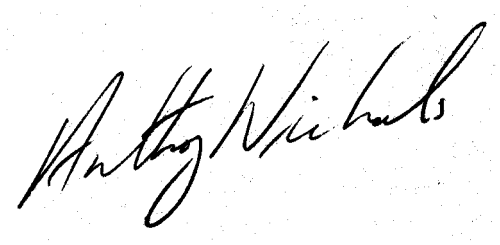
Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Housing/Tables and Chart/4160 R Assessment Data, Year 0 and Year 5

Replacing category factors

26 For New South Wales, Victoria, South Australia, Tasmania and the Northern Territory, the 2006-07 revenue raising capacity ratios were higher than the 2001-02 ratios. Replacing the category factors therefore reduced their shares of GST revenue (by $6.8 million). Replacing the category factors increased the shares of the other States.

27 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.



Date: 29/02/08

Table 10 Assessment of user charges, 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	$
Average Revenue		86.86		82.35		84.40		88.26		91.50
New South Wales										
Assessed difference	12.396	1.86	12.293	1.84	- 2.638	- 0.39	- 2.273	- 0.33	- 0.610	- 0.09
Revenue - Assessed	565.469	85.00	538.849	80.51	570.872	84.79	601.455	88.59	627.926	91.59
Actual	523.000	78.61	578.000	86.36	598.000	88.82	625.000	92.06	653.219	95.28
Victoria										
Assessed difference	40.257	8.22	38.586	7.79	33.796	6.73	37.470	7.36	39.973	7.74
Revenue - Assessed	384.950	78.64	369.557	74.57	389.838	77.67	411.849	80.90	432.862	83.77
Actual	467.000	95.40	303.000	61.14	317.000	63.15	329.000	64.62	341.454	66.08
Queensland										
Assessed difference	- 12.589	- 3.34	- 13.081	- 3.39	2.954	0.75	1.533	0.38	- 0.251	- 0.06
Revenue - Assessed	339.825	90.20	331.181	85.74	330.963	83.65	355.811	87.88	378.665	91.56
Actual	206.000	54.68	213.000	55.14	229.000	57.88	261.012	64.47	287.113	69.42
Western Australia										
Assessed difference	- 14.224	- 7.34	- 13.041	- 6.63	- 6.547	- 3.27	- 6.776	- 3.32	- 7.187	- 3.45
Revenue - Assessed	182.600	94.20	175.128	88.98	175.345	87.67	186.699	91.58	197.697	94.95
Actual	186.000	95.95	197.000	100.09	210.000	105.00	239.000	117.24	262.900	126.27
South Australia										
Assessed difference	- 12.623	- 8.27	- 12.171	- 7.92	- 13.563	- 8.77	- 14.633	- 9.38	- 15.383	- 9.76
Revenue - Assessed	145.199	95.13	138.687	90.27	144.098	93.17	152.358	97.64	159.648	101.26
Actual	210.000	137.58	223.000	145.16	219.340	141.82	218.340	139.92	217.345	137.85
Tasmania										
Assessed difference	- 1.074	- 2.26	- 1.147	- 2.39	- 1.601	- 3.30	- 1.971	- 4.04	- 2.358	- 4.80
Revenue - Assessed	42.336	89.12	40.732	84.74	42.519	87.70	45.082	92.29	47.344	96.30
Actual	47.000	98.94	48.983	101.90	47.992	98.99	50.000	102.36	52.092	105.95
Australian Capital Territory										
Assessed difference	4.877	15.04	4.477	13.72	5.387	16.40	5.790	17.43	6.106	18.14
Revenue - Assessed	23.279	71.81	22.387	68.63	22.342	68.00	23.532	70.83	24.701	73.37
Actual	53.000	163.51	59.000	180.87	61.000	185.67	64.000	192.63	67.148	199.43
Northern Territory										
Assessed difference	- 17.020	- 85.34	- 15.915	- 79.22	- 17.788	- 87.08	- 19.140	- 91.70	- 20.291	- 95.35
Revenue - Assessed	34.343	172.20	32.460	161.57	35.028	171.48	37.561	179.96	39.763	186.85
Actual	26.000	130.37	26.999	134.39	28.673	140.37	27.996	134.13	27.335	128.45

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 User Charges