




Australian Government
Commonwealth Grants Commission

2025 Methodology Review

Housing consultation paper

October 2023

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Overview of category

- 1 The housing category currently includes:
 - state and territory (state) spending on social housing services provided by the public non-financial sector and subsidies to community housing providers¹
 - revenue received from public housing rents
 - state spending on home purchase assistance for first home buyers.
- 2 Social housing is affordable housing provided by the government and community sectors. It includes public and community housing. Public housing is state owned and managed. It is mostly provided through state public non-financial corporations. Community housing is managed by not-for-profit organisations, which receive subsidies from state governments.
- 3 The category currently excludes:
 - accommodation for state employees, such as teachers and police officers in remote areas, which is assessed in the schools and justice assessments, respectively
 - residential institutions mainly providing living quarters for people with special needs, such as the young or the disabled, which is assessed in the welfare category
 - tax expenditures on concessional rates of conveyance duty for first home owners, which are assessed in the stamp duty on conveyances category
 - homeless persons assistance, including emergency accommodation and women's shelters, which is assessed in the welfare category.

Current assessment method – 2020 Review

- 4 The current assessment method recognises the higher costs of states with above-average shares of households that have First Nations people, people of low socio-economic status or people living in more remote areas. This is because these population groups use social housing more and/or have additional spending needs.
- 5 States set income and asset eligibility limits for social housing and give priority to people who are homeless, at risk of homelessness, experiencing family violence, or in poor physical or mental health (see Table 1 for income eligibility criteria for social housing).²

¹ The public non-financial sector (PNFS) includes agencies of state general government and public non-financial corporations (PNFCs).

² Productivity Commission (PC), *In need of repair: The National Housing and Homelessness Agreement – Study report*, PC, Australian Government, 2022, p 235.

Table 1 Social housing income eligibility criteria^(a), May 2023

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Income limit per week (\$)	690	619	609	486	767	693	826	955

(a) Single income household

Source: Social housing income eligibility criteria from state websites.

- 6 State differences in tenancy management, maintenance and construction costs are recognised in the recurrent expenses and investment assessments of social housing. These costs are measured by using a general regional cost gradient and the Rawlinsons capital cost gradient, as seen in Table 2.³

Table 2 Regional costs assessment for social housing assessments, 2020 Review

Expense item	Expense weight	Regional costs indicator
Recurrent assessment (a)		
Maintenance expenses	25%	Rawlinsons capital cost weights (50%) General regional cost gradient (50%)
Other social housing expenses (b)	75%	General regional cost gradient
Investment		
	100%	Rawlinsons capital cost gradient

(a) The regional cost gradient is discounted by 12.5% to accurately capture the differential costs based on regional effects.

(b) Other social housing expenses include tenancy management and non-cash expenses.

Source: Commission calculation.

- 7 Table 3 shows the combined regional cost factors for the social housing recurrent assessment, by region and state. These are used for the assessment of recurrent expense needs.

Table 3 Combined regional cost factors, social housing, 2021–22

Region	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Major cities	1.001	0.993	0.993	0.999	0.996	—	1.007	—
Inner regional	1.008	0.994	1.003	1.009	1.006	0.994	1.007	—
Outer regional	1.052	1.030	1.041	1.057	1.047	1.030	—	1.042
Remote	1.188	1.150	1.201	1.214	1.177	1.176	—	1.167
Very remote	1.220	—	1.242	1.248	1.213	1.208	—	1.245

Source: Rawlinsons 2022. Commission calculation.

³ Rawlinsons Quantity Surveyors, *Rawlinsons Australian Construction Handbook 2022*, Rawlinsons Publishing, Perth, 2022. (2023 Update uses 2022 Rawlinsons data)

8 Table 4 shows the Rawlinsons capital cost gradient. This is used for the assessment of investment needs.

Table 4 Rawlinsons capital cost gradient, 2021–22

Region	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Major cities	1.008	0.947	0.947	0.991	0.970	0.950	1.059	–
Inner regional	1.062	0.954	1.028	1.074	1.047	0.950	1.059	–
Outer regional	1.149	0.972	1.057	1.187	1.105	0.973	–	1.065
Remote	1.275	0.972	1.379	1.485	1.192	1.180	–	1.113
Very remote	1.345	–	1.524	1.574	1.295	1.255	–	1.545

Source: Rawlinsons 2022. Commission calculations.

9 Revenue raised from rent partly offsets state expenses. States with a greater proportion of low-income households and households living in remote and very remote regions in social housing have a lower capacity to raise revenue from rents.

10 Assistance for first home buyers is assessed on an equal per capita basis.

Data used in the assessment

11 The number of households disaggregated by income, Indigenous status and remoteness area are sourced from the Australian Bureau of Statistics 2021 Census. These data are used to estimate state expense needs for the provision of social housing services, as well as state capacity to raise revenue from rent.

12 First home owner expenses data are sourced from the states.

Category and component expenses

13 State net expenses on housing were around \$4.6 billion in 2021–22, representing 1.6% of total state expenses (see Table 5). The Northern Territory spent the largest share of its state budget expenses on housing and New South Wales the smallest.

Table 5 Housing expenses by state 2021–22

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total expenses (\$m)	612	1,366	850	988	296	159	77	293	4,640
Proportion of total expenses (%)	0.7	2.0	1.4	2.6	1.5	2.4	1.3	4.7	1.6

Source: Commission calculation, 2023 Update.

14 State net expenses on housing have increased from \$2.4 billion in 2018–19 to around \$4.6 billion in 2021–22 (around 93% growth) (see Table 6). The social housing expenses component grew by 43% between 2018–19 and 2021–22. Social housing revenue has declined by 6% between 2018–19 and 2021–22. First home owner expenses have increased by 7%.

- 15 In 2023–24, the Commonwealth is estimated to provide \$1.7 billion through the National Housing and Homelessness Agreement for state affordable housing services.⁴ Current agreements under the National Housing and Homelessness Agreement expired at the end of 2022–23. A one-year extension to 30 June 2024 has been offered to the states.⁵ The Commission treats payments to the states under the National Housing and Homelessness Agreement as impacting relativities, as required by terms of reference for the annual updates of GST relativities.
- 16 On 17 June 2023, the Commonwealth announced \$2 billion would be provided to states to boost social housing stock through the construction of new houses and the renovation or refurbishment of existing but uninhabitable stock.⁶
- 17 The Commonwealth’s proposed \$10 billion Housing Australia Future Fund includes a commitment of 30,000 new social and affordable homes in the fund’s first five years.⁷ The National Housing Accord will provide \$350 million from 2024 to incentivise superannuation funds and other institutional investors to make investments in social and affordable housing.⁸

Table 6 Total Housing expenses 2018–19 to 2021–22

	2018–19	2019–20	2020–21	2021–22
Total expenses (\$m)	2,396	2,349	3,569	4,640
Proportion of total expenses (%)	1.0	1.0	1.4	1.6

Source: Commission calculation, 2023 Update.

- 18 The housing assessment is currently composed of 3 components (see Table 7). The table shows the size of each component and the driver used by the Commission to assess states’ expense needs.

⁴ Commonwealth of Australia, [Budget Paper No. 3, Federal Financial Relations 2023–24](#), 2023–24 Budget Website, 2023, accessed 3 October 2023, p 56.

⁵ Budget Paper No. 3, p 56.

⁶ The Hon Anthony Albanese MP, [Albanese Government delivers immediate \\$2 billion for accelerated Social Housing Program](#), [Media Release] Australian Government, 17 June 2023, accessed 18 June 2023.

⁷ The Hon Julie Collins MP, [Housing Australia Future Fund draft legislation](#) [Media Release], Australian Government, 19 December 2022, accessed 18 June 2023.

⁸ The Hon Dr Jim Chalmers MP, [National Housing Accord: working together to help tackle housing challenges](#) [Media Release], Australian Government, 25 October 2022, accessed 18 June 2023.

Table 7 Structure of the Housing assessment, 2021–22

Component	Component expense	Driver	Influence measured by driver
\$m			
Social housing	6,762	Socio-demographic composition	Recognises that income, Indigenous status and remoteness affect the use of housing services. In addition, a First Nations cost weight is applied.
		Wage costs and regional costs	Recognises differences in wage costs between states and in the cost of providing services to different areas within a state.
Social housing user charges	-2,683	Socio-demographic composition and capacity to raise revenue from rents	Recognises that income, Indigenous status and remoteness affect the number of public housing households as well as the rent paid by households.
First homeowner expenses	560	Equal per capita	This is an equal per capita assessment.

Source: Commission calculation, 2023 Update.

GST distribution in the 2023 Update

19 The impact on the distribution of GST from the housing assessment is shown in Table 8. It shows the category distributed \$531 million (\$20 per capita) away from an equal per capita share. Social housing expenses and revenue both influence the distribution of GST. First home owner expenses are assessed equal per capita and do not affect the GST distribution.

Table 8 GST impact of the Housing assessment, 2023–24

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Social Housing	-106	-287	75	115	58	3	-41	182	434
Social Housing user charges	13	67	-20	-17	-33	2	15	-27	97
First Homeowner expenses	0	0	0	0	0	0	0	0	0
Total (\$m)	-92	-220	55	98	25	6	-27	155	531
Total (\$pc)	-11	-32	10	35	14	10	-56	596	20

Source: Commission calculation, 2023 Update.

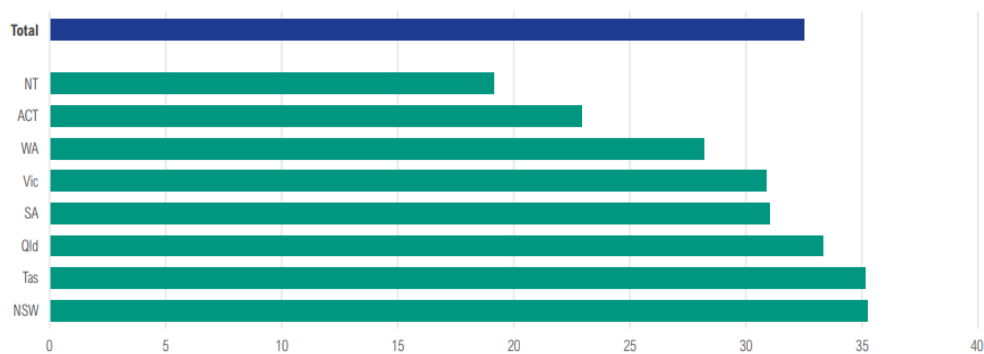
20 Further detail on service provision arrangements, the range of services included within this category and the underlying conceptual cases for the assessment methods are explained in volume 2, chapter 17, [Report on GST Revenue Sharing Relativities, 2020 Review](#).

What has changed since the 2020 Review?

Housing stress has increased

- 21 Recent economic developments have led to heightened levels of housing stress. Supply constraints and increasing demand for housing has resulted in rising housing prices and rents.⁹
- 22 Sudden and significant changes in net overseas and internal migration have disrupted housing markets during and post COVID-19. Population declined in Sydney and Melbourne. However net increases in internal migration to regional areas of New South Wales and Victoria maintained population growth in these areas at around pre-pandemic levels.¹⁰ In the year to December 2022 (most recent data), Western Australia had the fastest growing population, followed by Queensland and Victoria. The Northern Territory and Tasmania were the slowest growing jurisdictions.¹¹
- 23 Housing stress can be measured in several ways. One measure is the proportion of private market renters paying more than 30% of income on rent. Using data from the ABS 2021 Census, people living in New South Wales and Tasmania are facing the most challenging rental markets (Figure 1).

Figure 1 Percentage of private market renters paying more than 30% of income on rent



Source: *State of the Nation's Housing Report 2022–23*.

- 24 Another measure, referred to as the '30/40 rule', measures the number of low-income earners (the 2 lowest household income quintiles) paying more than 30% of their household income in rent. When the number of people in rental stress, using the 30/40 rule, are combined with the number of homeless people to estimate

⁹ National Housing Finance and Investment Corporation (NHFIC), [State of the Nation's Housing Report 2022–23](#), NHFIC, Australian Government, 2023, accessed 1 October 2023.

¹⁰ Centre for Population, [2022 Population Statement](#), Centre for Population, Australian Government, 2022, accessed 1 October 2023.

¹¹ Australian Bureau of Statistics (ABS), [National, state and territory population](#), ABS, Australian Government, 2023, accessed 15 June 2023.

housing need across states, the Northern Territory has by far the largest share of its population in housing stress (Table 9).

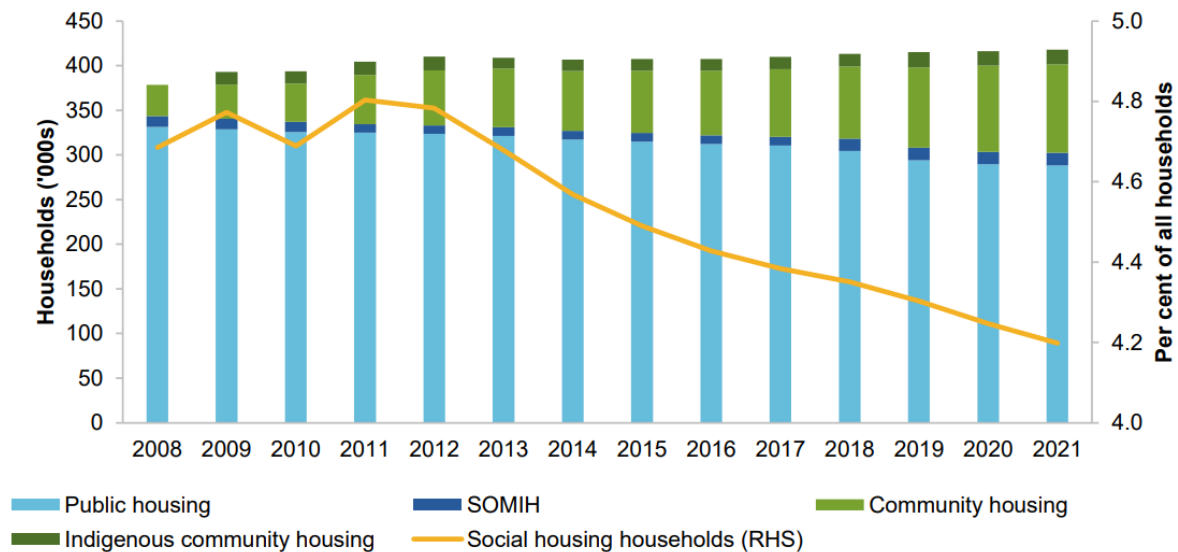
Table 9 Estimates of housing need

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total in rental stress	117,500	83,500	73,000	26,200	18,500	5,600	5,000	1,800	331,100
Per 100 households	4	3	4	3	3	2	3	3	3
Homeless	15,100	9,900	8,700	3,600	2,500	600	600	5,500	46,500
Total in housing need	132,600	93,400	81,700	29,800	21,000	6,200	5,600	7,300	377,600
Per 100 households	4	4	4	3	3	3	3	12	4

Source: National Housing Finance and Investment Corporation, *State of the Nation's Housing Report 2022–23*.

25 Data are not yet available on how the supply of social housing has responded to the most recent developments in the housing market.¹² However, there has been a general trend of a declining share of households in social housing. The share in Tasmania has been stable and the trend is not clear in the Northern Territory due to a break in the time series data (see Figure 2 and Figure 3).

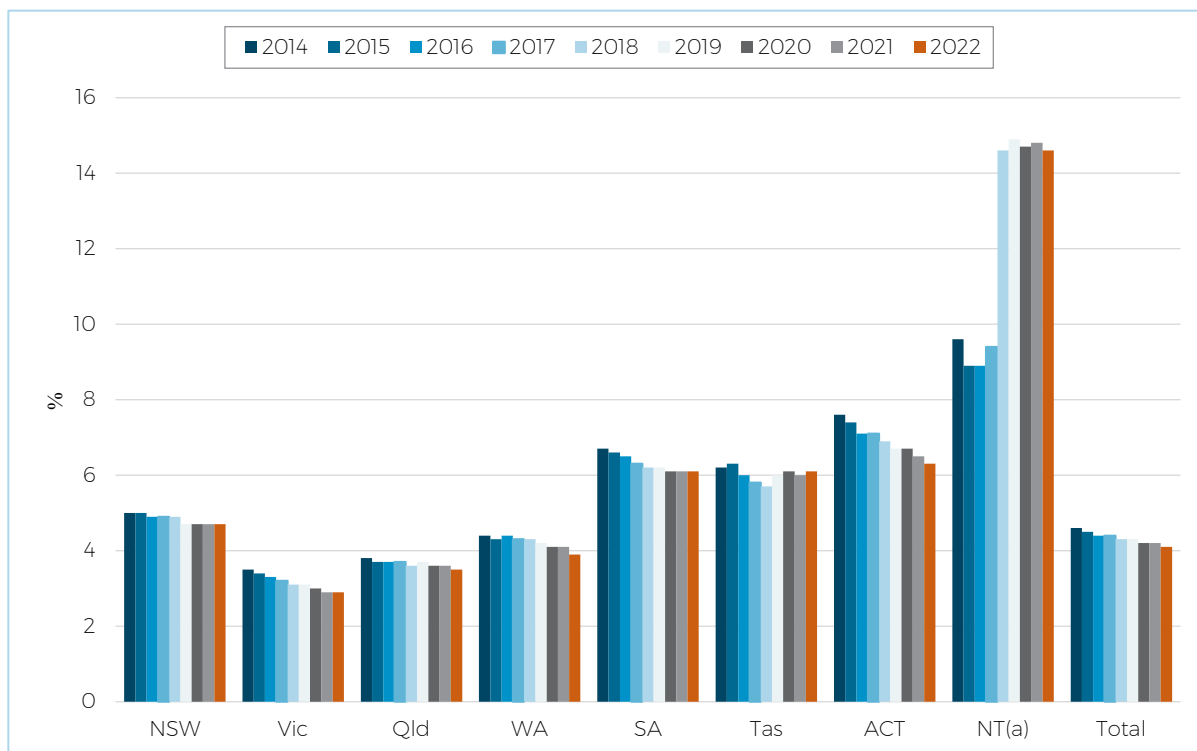
Figure 2 Social housing households, 2008–2021.



Source: Productivity Commission, *In need of repair: The National Housing and Homelessness Agreement, 2022*.

¹² The Queensland 2023–24 Budget provided increased funding of \$1.1 billion for social housing through the *Housing and Homelessness Action Plan (2021–25)*. The Western Australian 2023–24 Budget included a \$450 million top-up of the Social Housing Investment Fund to support a commitment to deliver an additional 4,000 social housing dwellings by 2026–27. The Tasmanian 2023–24 Budget included \$372.8 million in grant funding for Homes Tasmania to continue to deliver housing and homelessness services that were previously provided by the Department of Communities Tasmania. The ACT 2023–24 Budget provided \$233 million for social housing. The Northern Territory 2023–24 Budget included \$14 million for the redevelopment of an existing public housing complex and \$601 million for remote housing.

Figure 3 Share of total households in social housing



(a) Prior to 2018 the data excluded households in State Owned and Managed Indigenous Housing

Source: Australian Institute of Health and Welfare [Housing assistance Data - Australian Institute of Health and Welfare \(aihw.gov.au\)](https://www.aihw.gov.au/housing-assistance-data)

- 26 On 16 August 2023, National Cabinet announced new targets for the construction of new houses, with additional funding to be provided to state and local governments. A series of measures related to rental properties was also announced.¹³
- 27 On 14 September 2023, the Federal Parliament passed legislation to enable the Housing Australia Future Fund to provide funding for social and affordable rental housing.

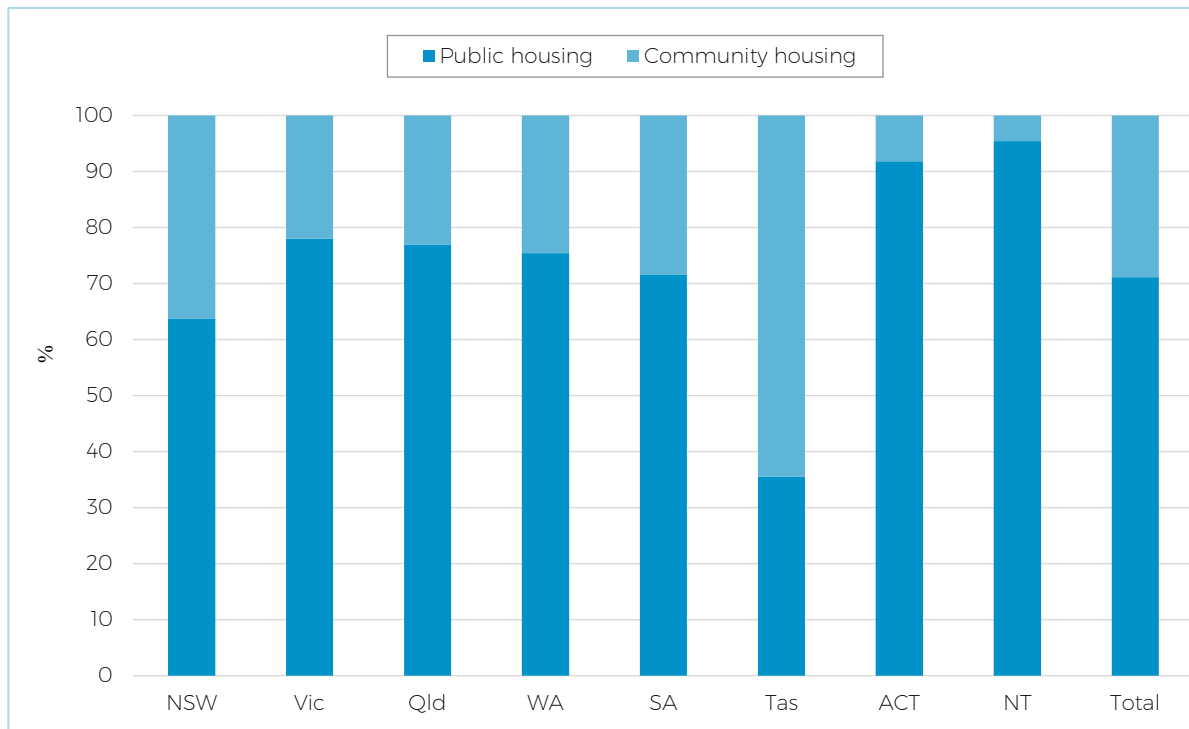
The mix of social housing continues to change

- 28 The social housing stock mix has changed. Community housing stock in Australia increased by 23% from 2018 to 2022 and public housing stock decreased by 6%. The most significant changes have been in New South Wales and Tasmania. Community housing stock in New South Wales and Tasmania increased by 50% and 54% respectively from 2018 to 2022 and public housing stock decreased by 13% and 29% respectively. Public housing still makes up the bulk of the social housing stock nationally (around 70%).¹⁴ Figure 4 shows the current mix of public and community housing by state.

¹³ The Hon Anthony Albanese MP, [Meeting of National Cabinet - Working together to deliver better housing outcomes](#) [Media Release], Australian Government, 16 August 2023, accessed 16 August 2023.

¹⁴ Productivity Commission, [Report on Government Services 2023](#), Productivity Commission, Australian Government, 2023, accessed 6 June 2023.

Figure 4 Share of public and community housing dwellings in total social housing dwellings, 2022



Source: Australian Institute of Health and Welfare, Data tables: Social housing dwellings 2023.

New data is available on the health status of social housing tenants

29 The 2021 Census for the first-time asked respondents whether someone in their household had a long-term health condition. This may serve as a proxy for tenants that require higher levels of service, due to a disability or health condition. In the 2020 Review, some states argued that people with a disability comprised a significant proportion of people in social housing and they required higher levels of service provision than other social housing tenants.

Implications for assessment

- 30 The Commission has identified 3 issues for consideration during the 2025 Review.
- Is the current method for assessing state expense needs for social housing still reliable given developments in the housing market?
 - Do increases in the share of community housing in total social housing across states warrant separate assessments for public and community housing?
 - Do new census data allow the Commission to test whether social housing households that include a person with a disability are a material driver of state expense needs for social housing?

Is the housing assessment still fit for purpose in light of housing market developments?

- 31 An increase in housing stress may result in more households joining the waiting lists for social housing. It may also result in an increase in homelessness. The Commission assesses state expenses on homeless assistance in the welfare category. This issue will be considered in the welfare consultation paper.
- 32 Any change in state spending on social housing in response to developments in the housing market will be reflected in the assessment through changes in national per capita expenses by socio-demographic group.
- 33 If there are changes in the socio-demographic composition of households in social housing because of trends in the housing market, which has implications for both assessed expenses and revenues, this will not be reflected until the next census. Since the 2011 Census there has been limited changes in the socio-demographic composition (socio-economic status, Indigenous status, remoteness) of households in social housing.
- 34 Changes in costs for social housing construction, tenancy management, repair and maintenance, within states and between states, will be captured in the wage costs and regional costs factors for the assessment of recurrent and capital spending.
- 35 The Commission's preliminary view is that recent developments in the housing market do not warrant a changing in method for the housing assessment. The assessment will account for any differences within states and between states in the costs of providing social housing services. Changes in the socio-demographic composition of households in social housing will be reflected in the assessment with a lag.

Consultation question

- Q1. Do states agree that the housing assessment remains fit for purpose notwithstanding recent developments in the housing market?

Should expense needs for public and community housing be assessed separately?

- 36 There are differences in state expenses and funding models associated with households in public and community housing.
- States provide tenancy management services for public housing tenants while these services are provided by community organisations for community housing tenants. The services provided by community organisations may be subsidised by state governments.
 - States provide capital grants to community organisations for new housing developments or the renewal of existing housing stock.

- Commonwealth Rent Assistance is an important source of funding for the community housing sector. Community housing tenants have access to Commonwealth Rent Assistance while public housing tenants do not. This potentially allows community housing providers to generate higher revenue from rents, reducing the size of the subsidy states need to provide. The Productivity Commission study report *In need of repair: The National Housing and Homeless Agreement* said this creates ‘some incentive to transfer tenancy and property management of public housing stock to community housing providers’.¹⁵

- 37 The drivers of spending in public and community housing are broadly the same. All states except the Northern Territory have established a common housing register for applicants for both public and community housing. Eligibility requirements for public and community housing tenants are generally the same. First Nations specific public and community housing is included in the assessment.¹⁶ There are some differences in the intensity with which different socio-demographic groups use public and community housing (see Table 10).
- 38 Separate assessments of public and community housing would require expenses to be separately identified for the 2 types of social housing.
- 39 To test the materiality of separate assessments, the Commission will ask states to separately identify recurrent expenses on public housing and community housing. The Commission understands that states will in future report on this basis to the Productivity Commission for its annual Report on Government Services.

Table 10 Socio-demographic use rates by type of social housing provider

Socio-demographic composition	Community Housing %	Public Housing %
Income		
Low-income	74	78
High-income	26	22
Region		
Major cities of Australia	61	68
Inner regional Australia	19	15
Outer regional Australia	10	9
Remote Australia	3	3
Very remote Australia	7	5
Indigenous Status		
Indigenous	21	19
Non-Indigenous	79	81

Source: 2021 Census

- 40 The Commission’s preliminary view is that there should be a separate assessment for public and community housing if it results in a material difference in GST distribution.

¹⁵ Productivity Commission, *In need of repair: The National Housing and Homelessness Agreement*, p 81.

¹⁶ I Levin, S Tually, J De Vries, T Kollmann, W Stone, and I Goodwin-Smith, *Innovations in stock matching and allocations: the social housing challenge*, Australian Housing and Urban Research Institute Limited, 2023, accessed 1 October 2023, p 78.

Consultation question

Q2. Do states agree that there should be separate assessments for public and community housing if it results in a material change in GST distribution?

New data on health status of social housing tenants

- 41 In the 2020 Review, Queensland and Tasmania argued that social housing households that include someone with a disability require higher levels of servicing compared to other social housing households. Sufficiently comprehensive data on the use of social housing by people with a disability were not available, and so the Commission did not test whether disability should be included as a driver of need.
- 42 The 2021 Census asked respondents for the first-time whether someone in their household had a long-term health condition. Table 11 shows the proportion of people with long-term health conditions by dwelling type. Table 12 shows the proportion of households by state and dwelling type where at least one member of the household has a long-term health condition.
- 43 If these data are considered a reasonable proxy for disability (or for the need to provide social housing households with additional services), then the Commission could use them as a basis for including disability as a driver of need.
- 44 However, data would still be needed to determine the additional cost associated with providing social housing services to people with a disability, such as home modifications. Expenses on disability services for people in social housing would continue to be assessed in the welfare category.

Table 11 Type of long-term health condition^(a) by dwelling type, 2021

Type of long-term health condition	Living in non-private dwellings (%)	Living in private dwellings (%)
Arthritis	11.2	8.4
Asthma	5.4	8.2
Cancer	4.0	2.8
Dementia	11.3	0.4
Diabetes	5.6	4.7
Heart disease	7.5	3.8
Kidney disease	2.0	0.9
Lung condition	2.8	1.7
Mental health condition	13.4	8.6
Stroke	3.1	0.9
Any other long-term health condition(s)	13.2	7.9

(a) Respondents had the option to record multiple long-term health conditions therefore aggregations of percentages will not equal 100%.

Source: ABS, Long-term health conditions, August 2022 <https://www.abs.gov.au/articles/long-term-health-conditions>.

Table 12 Proportion of households with member that has a long-term health condition

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Not social housing	50%	51%	53%	49%	54%	57%	51%	42%
Social housing	73%	72%	71%	76%	74%	75%	69%	56%

Source: ABS 2021 Census

- 45 The Commission has not come to a preliminary view on whether an additional driver of need based on the long-term health status of people should be included in the housing assessment. This will depend on the availability and quality of data on the additional costs of providing social housing services to high need tenants and whether the inclusion of this driver results in a material change in the distribution of GST.

Consultation questions

- Q3. Is the ABS census data on households with members that have long-term health conditions a suitable proxy for households that have high service needs?
- Q4. Do states have data on the cost of servicing different household types that would enable the calculation of a cost gradient?

Proposed assessment

Differences from the 2020 Review approach

- 46 Subject to state views and data relating to service costs for high-cost clients, the Commission does not propose to make changes to the 2020 Review approach.

Proposed assessment structure

- 47 Table 13 shows the proposed structure of the housing assessment.

Table 13 Proposed assessment structure for housing

Component	Driver	Influence measured by driver	Change since 2020 Review?
Social housing expenses	Socio-demographic composition	Recognises that income, Indigenous status and remoteness affect the use of housing services. In addition, a cost weight is applied based on Indigenous status.	No
	Wage costs and regional costs	Recognises the differences in wage costs between states and in the cost of providing services to different areas within a state.	No
Revenue	Socio-demographic composition and capacity to raise revenue from rents	Recognises that income, Indigenous status and remoteness affect the number of social housing households as well as the rent paid by households.	No
First home owner expenses	Equal per capita	This is an equal per capita assessment.	No

Source: Commission

New data requirements

- 48 The Commission will ask states for recurrent expenses on public housing and community housing. The Commission understands that states will in future report on this basis to the Productivity Commission for its annual *Report on Government Services*.
- 49 If advised by states that data exist to estimate a high service needs tenant cost weight, the Commission will request relevant data from the states.
- 50 To calculate a First Nations cost weight, state data on mainstream and First Nations specific social housing are updated at the start of the review and used for the duration of the review.

Consultation

- 51 The Commission welcomes state views on the consultation questions identified in this paper (outlined below) and the proposed assessment. State submissions should accord with the 2025 Review framework. States are welcome to raise other relevant issues with the Commission.

- Q1. Do states agree that the housing assessment remains fit for purpose notwithstanding recent developments in the housing market?
- Q2. Do states agree that there should be separate assessments for public and community housing if it results in a material change in GST distribution?
- Q3. Is the ABS census data on households with members that have long-term health conditions a suitable proxy for households that have high service needs?
- Q4. Do states have data on the cost of servicing different household types that would enable the calculation of a cost gradient?