

# Housing

## Overview

- 1 The housing assessment covers state and territory (state) recurrent spending on social housing services, housing assistance for people in private dwellings and grants to first home owners. The assessment also takes into account revenue states receive from public housing tenants.
- 2 The assessment has the following components:
  - social housing expenses
  - social housing revenue
  - first home owner expenses.
- 3 The assessment excludes:
  - homeless persons assistance, including emergency accommodation and women's shelters, which is assessed in the welfare category
  - accommodation for state employees, such as teachers and police officers in remote areas, which is assessed in the schools and justice categories, 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.
- 4 The assessment recognises that housing expense needs are influenced by the following.
  - First Nations households — states with above-average shares of First Nations households have higher spending needs.
  - Socio-economic status — states with more low socio-economic status households have higher spending needs.
  - Remoteness — states with more households living in more remote areas have higher spending needs.
  - Crowding of dwellings and mobility of tenants — states with more people in overcrowded dwellings and dwellings where tenants are highly mobile have higher costs.
  - Wage costs — states facing greater wage cost pressures have higher spending needs.

## Actual state expenses

- 5 The first step in calculating assessed expenses is identifying actual state expenses on housing services.<sup>1</sup> States collectively spent 0.9% of their total recurrent expenses on housing in 2022–23. Table 1 shows expenses broken down by component and Table 2 outlines actual expenses by state in 2022–23.<sup>2</sup>

**Table 1 Housing expenses by component, 2022–23**

|   | 2022-23    |              |
|---|------------|--------------|
|   | \$pc       | \$m          |
| Social housing                          | 199        | 5,236        |
| Social housing user charges             | -103       | -2,715       |
| First home owner expenses               | 12         | 311          |
| <b>Total</b>                            | <b>108</b> | <b>2,832</b> |
| <b>Proportion of total expenses (%)</b> |            | <b>0.9</b>   |

**Table 2 Housing expenses by state, 2022–23**

|   | NSW        | Vic        | Qld        | WA         | SA         | Tas        | ACT        | NT         | Total      |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Housing (\$m)                           | 570        | 616        | 651        | 496        | 64         | 134        | 65         | 237        | 2,832      |
| Housing (\$pc)                          | 69         | 92         | 121        | 175        | 35         | 233        | 141        | 942        | 108        |
| <b>Proportion of total expenses (%)</b> | <b>0.6</b> | <b>0.8</b> | <b>1.1</b> | <b>1.5</b> | <b>0.3</b> | <b>1.9</b> | <b>1.0</b> | <b>3.9</b> | <b>0.9</b> |

## Structure of assessment

- 6 Table 3 outlines the drivers that influence expenses and revenue raising capacity in each component.

**Table 3 Structure of the housing assessment**

| Component                 | Driver   | Influence measured by driver  |
|---------------------------|--|---|
| Social housing expenses   | Socio-demographic composition  | Indigenous status, socio-economic status and remoteness influence the use and cost of services. |
|                           | Regional costs   | The cost of providing services increases as the level of the remoteness increases.              |
|                           | Wage costs   | Differences in wage costs between states affect costs.  |
| Social housing revenue    | Socio-demographic composition and capacity to raise revenue from rents | Indigenous status, socio-economic status and remoteness influence the rent paid by households.  |
| First home owner expenses | Non-deliberative EPC   | These expenses are not differentially assessed.   |

<sup>1</sup> Adjusted budget calculations use ABS Government Finance Statistics data to determine actual state expenses. For further details see the adjusted budget chapter of the *Commission's Assessment Methodology*.

<sup>2</sup> Tables in this chapters, unless otherwise stated, use 2022–23 data.

## Data

7 The data used in the assessment are outlined in Table 4.

**Table 4 Data used in the housing assessment**

| Source  | Data   | Updated  | Component                 |
|---|--|----------|---------------------------|
| ABS census  | Count of households and individuals by landlord type and socio-demographic group       | 5-yearly | Social housing expenses   |
|   | Rents paid by landlord type and socio-demographic group                                | 5-yearly | Social housing revenue    |
| States  | Social housing expenses  | Annually | Social housing expenses   |
|   | Social housing expenses – mainstream and First Nations specific                        | 5-yearly | Social housing expenses   |
|   | Social housing revenue   | Annually | Social housing revenue    |
|   | First home owner grants  | Annually | First home owner expenses |
| Productivity Commission Report on Government Services - Housing | Proportion of First Nations social households in First Nations-specific social housing | Annually | Investment (housing)      |

Note: Data for the wage costs adjustment are also included in this assessment.

The adjusted budget data sources are outlined in the adjusted budget chapter of the *Commission's Assessment Methodology*.

## Assessment method

- 8 The assessment method recognises the higher costs for states with above-average shares of First Nations households, low socio-economic status households and/or households in more remote areas due to higher use of public housing services by these groups.
- 9 The assessment also accounts for the higher costs of providing social housing services as remoteness increases, the higher costs associated with overcrowded dwellings and dwellings where tenants are highly mobile, and differences in wage costs between states.

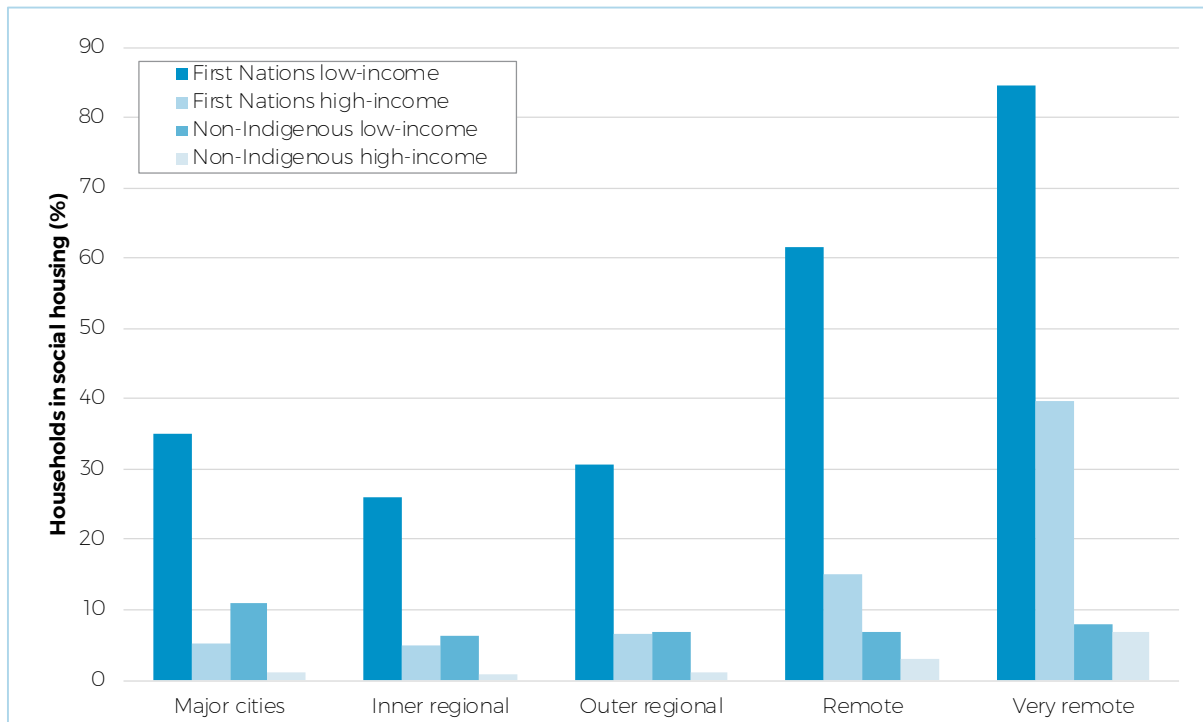
## Social housing expenses component

### Drivers

#### Socio-demographic use rates

- 10 Differences in state shares of First Nations households, low socio-economic status households and households in more remote areas are the main determinant of expense needs for social housing. This is because these population groups rely on social housing more than the average for the overall population.
- 11 Figure 1 shows the proportion of households in social housing by Indigenous status, socio-economic status and remoteness, as reported in the 2021 Census.

**Figure 1** Proportion of households in social housing households by Indigenous status, socio-economic status and remoteness, 2021



Source: ABS 2021 Census.

- 12 ABS census data are used to obtain the number of households in social housing and not in social housing, disaggregated by Indigenous status, income and remoteness area.<sup>3</sup>
- 13 The census count of households in social housing is adjusted by the ratio of the Australian Institute of Health and Welfare total social housing household count to the ABS census total social housing household count. This addresses concerns with the accuracy with which tenants categorise their landlord type in the census. A corresponding adjustment is made to non-social housing households to leave the total household count unchanged. This adjustment only affects the balance between social and non-social housing households.<sup>4</sup>
- 14 Census post enumeration survey adjustment factors are applied to census household numbers to account for differences in enumeration by Indigenous status and remoteness to obtain estimates of the total number of households in the census year (2021–22).

### Applying the First Nations cost weight

- 15 The provision of social housing services to First Nations households has higher costs per household than for non-Indigenous households. The source of the higher costs in

<sup>3</sup> For the assessment of social housing expenses, low-income households are defined as those with an equivalised income of less than \$649 per week. An equivalised income of less than \$649 per week is similar to the average state income eligibility thresholds for access to public housing for a single person.

<sup>4</sup> This adjustment only affects housing investment needs.

First Nations social housing includes higher rates of overcrowding and higher rates of tenant mobility.

- 16 As at June 2023, 9.3% of all First Nations households in public housing were living in overcrowded dwellings while only 4.1% of all public housing households were living in overcrowded dwellings.<sup>5</sup> Similarly in community housing, 7.8% of all First Nations households lived in overcrowded dwellings compared with 4.0% of all households. Overcrowding increases wear and tear, which requires additional maintenance attendances. In addition, the high mobility of the remote First Nations population necessitates additional tenancy management services to ensure that users of social housing are known and are paying rents.
- 17 State data on the cost of providing public housing and State Owned and Managed Indigenous Housing is used to estimate a First Nations cost weight. A First Nations cost weight of 1.2 will be used for the 2025 Review.
- 18 The assessment takes account of these higher costs at the national level through the First Nations cost weight that is applied to First Nations people in all types of social housing. It is apportioned across states based on the number of First Nations households in each state. The number of households is calculated using the national average size of First Nations households, by socio-economic status and remoteness area.

### Applying regional costs

- 19 Differences in tenancy management and maintenance costs as remoteness increases are recognised in the assessment of recurrent social housing expenses.
- 20 The Rawlinsons capital cost gradient and the general regional cost gradient are used to recognise the effects of regional costs on the cost of providing social housing services. Using these data, 2 separate regional cost gradients are derived: one for maintenance expenses and one for other social housing expenses.
  - The regional cost gradient for maintenance expenses is based on the Rawlinsons capital cost gradient and the general regional cost gradient. Each has a 50% weight. The Rawlinsons state factors are derived by calculating the difference between the Rawlinsons weighted socio-demographic composition assessed expenses and the unweighted socio-demographic composition expenses.
  - The regional cost gradient for other social housing expenses is based solely on the general regional cost gradient.<sup>6</sup>
- 21 Table 5 summarises the method for deriving the regional cost gradients for maintenance and other social housing expenses. For the recurrent assessment, 87.5% of the regional cost gradient reflects the general regional cost gradient and 12.5% reflects the Rawlinsons capital cost gradient.

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<sup>5</sup> Australian Institute of Health and Welfare (AIHW), [Housing assistance in Australia](#), 2024, accessed 5 September 2024.

<sup>6</sup> See the geography chapter of the *Commission's Assessment Methodology* for more information on the general regional cost gradient.

**Table 5 Regional costs assessment for social housing assessments**

| Expense item                      | Expense weight | Regional costs indicator   |
|-----------------------------------|----------------|--|
| Maintenance expenses              | 25%            | Rawlinsons capital cost gradient (50%)<br>General regional cost gradient (50%) |
| Other social housing expenses (a) | 75%            | General regional cost gradient   |

(a) Other social housing expenses include tenancy management.

### Applying wage costs

22 Wages costs are a significant share of the total cost of providing social housing services. Differences in wage costs between states have a differential effect on the cost of providing social housing services. The housing assessment uses the Commission's general method for measuring the influence of wage costs. Details on how this is calculated are in the wage costs chapter of the *Commission's Assessment Methodology*.

### Method

23 The key steps in the calculation of assessed expenses for social housing are as follows.

- Estimate for each assessment year, the number of households in social housing and not in social housing by scaling the adjusted household numbers in the census year to take account of population growth.
- Apply regional and First Nations cost weights to the adjusted household numbers to derive the number of cost-weighted social housing households by socio-demographic group.
  - This captures the additional service costs associated with providing social housing in more remote areas and to First Nations households that are highly mobile and living in overcrowded dwellings.
- Calculate national average spending per household.
  - Total social housing expenses for each assessment year, are apportioned among socio-demographic groups using the share of cost-weighted social housing households to give social housing expenses by socio-demographic group.
  - The expenses by socio-demographic group are divided by total actual households in each group to derive national average per household social housing expenses for each socio-demographic group for each assessment year.
- Determine state socio-demographic assessed expenses.
  - Total individuals by socio-demographic group are divided by total households by socio-demographic group to derive the national average household size of each group.
  - The number of individuals in each state by socio-demographic group is divided by the national average household size of each group to derive the number of households in each group in each state.
  - These steps are undertaken to recognise the different rates of overcrowding between states.

- The national per household, social housing expenses by socio-demographic group is multiplied by each state’s number of household-size adjusted households in each group.
- These values are summed to derive each state’s socio demographic assessed expenses.
- Apply wage costs and Rawlinson’s capital cost gradient.

## Social housing revenue component

### Drivers

- 24 The social housing revenue component includes rents collected from households living in public housing. The assessment recognises the effects of remoteness, household income and Indigenous status on state capacities to raise revenue from rents. Specifically:
- rents paid decrease with remoteness
  - households on higher incomes pay more rent than those on lower incomes
  - First Nations households in some socio-demographic groups pay higher rents than non-Indigenous households.
- 25 Table 6 shows the average rent paid by social housing households by remoteness, socio-economic status and Indigenous status, as reported in the 2021 Census.

**Table 6 Average rent paid by social housing households by remoteness, socio-economic status and Indigenous status, 2021**

| Remoteness                | Socio-economic status | Indigenous status | Actual social housing households (No.) | Average weekly rent social housing households (\$) |
|---------------------------|-----------------------|-------------------|--|--|
| Major cities of Australia | Low-income            | Indigenous        | 18,090                                 | 191  |
| Major cities of Australia | Low-income            | Non-Indigenous    | 170,002                                | 168  |
| Major cities of Australia | High-income           | Indigenous        | 5,668                                  | 269  |
| Major cities of Australia | High-income           | Non-Indigenous    | 48,415                                 | 261  |
| Inner regional Australia  | Low-income            | Indigenous        | 9,344                                  | 195  |
| Inner regional Australia  | Low-income            | Non-Indigenous    | 34,109                                 | 169  |
| Inner regional Australia  | High-income           | Indigenous        | 2,691                                  | 229  |
| Inner regional Australia  | High-income           | Non-Indigenous    | 8,829                                  | 220  |
| Outer regional Australia  | Low-income            | Indigenous        | 7,997                                  | 173  |
| Outer regional Australia  | Low-income            | Non-Indigenous    | 15,900                                 | 152  |
| Outer regional Australia  | High-income           | Indigenous        | 2,349                                  | 204  |
| Outer regional Australia  | High-income           | Non-Indigenous    | 5,339                                  | 191  |
| Remote Australia          | Low-income            | Indigenous        | 4,166                                  | 138  |
| Remote Australia          | Low-income            | Non-Indigenous    | 1,394                                  | 135  |
| Remote Australia          | High-income           | Indigenous        | 1,154                                  | 180  |
| Remote Australia          | High-income           | Non-Indigenous    | 1,649                                  | 209  |
| Very remote Australia     | Low-income            | Indigenous        | 9,340                                  | 106  |
| Very remote Australia     | Low-income            | Non-Indigenous    | 507                                    | 126  |
| Very remote Australia     | High-income           | Indigenous        | 2,264                                  | 148  |
| Very remote Australia     | High-income           | Non-Indigenous    | 1,030                                  | 147  |

Source: ABS 2021 Census.

## Method

26 The key steps in the calculation of assessed revenue for social housing are as follows.

- The number of social housing households by socio-demographic group is divided by the total number of social housing households to give the share of social housing households by socio-demographic group.
- Total revenue, for each assessment year, is apportioned among socio-demographic groups using the share of social housing households weighted by relative rent paid per group to give revenue by socio-demographic group.
- The revenue by socio-demographic group is divided by the total number of households in each group to calculate the national average per household rent paid by different types of households for each assessment year.
- The per household revenue by socio-demographic group is multiplied by each state's number of household size adjusted households in each group. These values are summed to give each state's assessed revenue.

## First home owner expenses component

27 First home owner expenses are assessed on an equal per capita basis because no reliable policy neutral measure of first home owner expenses could be identified. This is a non-deliberative equal per capita assessment.

## GST distribution in the 2025 Review

28 Table 7 shows the GST impact of the assessment in the 2025 Review.

**Table 7** GST impact of the housing assessment, 2025–26

|                             | NSW         | Vic         | Qld       | WA        | SA        | Tas      | ACT        | NT         | Total effect |
|-----------------------------|-------------|-------------|-----------|-----------|-----------|----------|------------|------------|--------------|
|                             | \$m         | \$m         | \$m       | \$m       | \$m       | \$m      | \$m        | \$m        | \$m          |
| Social housing              | -118        | -315        | 103       | 108       | 37        | 1        | -45        | 229        | 478          |
| Social housing user charges | 3           | 72          | -29       | -14       | -22       | 4        | 16         | -31        | 95           |
| First home owner expenses   | 0           | 0           | 0         | 0         | 0         | 0        | 0          | 0          | 0            |
| <b>Total (\$m)</b>          | <b>-116</b> | <b>-242</b> | <b>74</b> | <b>94</b> | <b>15</b> | <b>5</b> | <b>-29</b> | <b>198</b> | <b>387</b>   |
| <b>Total (\$pc)</b>         | <b>-13</b>  | <b>-34</b>  | <b>13</b> | <b>31</b> | <b>8</b>  | <b>9</b> | <b>-60</b> | <b>772</b> | <b>14</b>    |

Note: Magnitude and direction of GST impact can change from year to year.