



COMMONWEALTH GRANTS COMMISSION

DISCUSSION PAPER CGC 2002/46

WELFARE PART 3: HOMELESS AND GENERAL WELFARE

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INTRODUCTION

1. This paper sets out the issues raised by the States in relation to the Homeless and General Welfare assessment for the 2004 Review. It provides the preliminary views of Commission staff on how they might be addressed. In the 1999 Review, this category was called Other Welfare.

2. The Homeless and General Welfare category comprised expenses on: alcohol and other drug rehabilitation programs predominantly involving welfare services; other welfare services such as prisoners aid, care of refugees, pre-marital education, homeless persons assistance, Aboriginal welfare and women's shelters; and departments, bureaux or program units which serve the social security and welfare system.

3. The standard expense in 2000-01 was \$34.80 per capita or 0.73 per cent of total gross standard expenses. Compared to an equal per capita assessment, the 2002 Update assessment redistributed \$34.2 million away from New South Wales, Victoria and the ACT to Queensland, Western Australia, South Australia, Tasmania and the Northern Territory.

1999 REVIEW ASSESSMENT

4. In the 1999 Review, the expenditure in this category was assessed in three components:

- (i) Scale-affected expenditure;
- (ii) Supported Accommodation Assistance Program (SAAP); and
- (iii) Other welfare.

5. The components, weights and factors used for the assessment are shown in Table 1.

6. User charges for this category, which were minor and consisted of miscellaneous fees and charges, were assessed by the equal per capita method.

7. The Commonwealth Specific Purpose Payments (SPPs) treated by the inclusion method were: Supported Accommodation Assistance and Grants for Aboriginal Purposes — Other Welfare. Table 2 shows the SPP distribution by State for 2000-01.

Table 1 ASSESSMENT STRUCTURE

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

Table 2 COMMONWEALTH SPECIFIC PURPOSE PAYMENTS FOR HOMELESS AND GENERAL WELFARE, 2000-01

| Grants | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|--|--------|--------|--------|--------|--------|-------|-------|-------|---------|
| Supported Accommodation Assistance (\$m) | 50.798 | 33.763 | 26.503 | 15.603 | 14.952 | 6.696 | 4.914 | 4.454 | 157.683 |
| Grants for Aboriginal Purposes (\$m) | 0.208 | 0.149 | 1.192 | 0.197 | 0.243 | 0.081 | 0.000 | 0.485 | 2.556 |
| Total (\$m) | 51.006 | 33.912 | 27.695 | 15.800 | 15.195 | 6.777 | 4.914 | 4.939 | 160.239 |

(a) Source: 2000-01 Commonwealth Final Budget Outcome and Commonwealth agencies.

2004 REVIEW ASSESSMENT

Scope of the Category

8. Discussion Paper CGC 2002/3, *Scope and Structure of the Equalisation Budget* confirmed that expenses previously included in the Other Concession category would be allocated to the welfare categories: Aged and Disabled Services; and Homeless and General Welfare. The bulk of these expenses involve concessions to pensioners for municipal charges and this will be included in the Aged and Disabled Services category. Miscellaneous concessions provided to other sectors of the population will be included in this category and assessed in the Other Welfare component.

Common Factors

9. No category specific issues were raised by States about the common factors. General issues concerning the common factors are covered in:

- (i) Discussion Paper CGC 2002/20 *Input costs*;
- (ii) Discussion Paper CGC 2002/22 *Dispersion*;
- (iii) Discussion Paper CGC 2000/23 *The Administrative Scale Factor*; and,
- (iv) Discussion Paper CGC 2002/5 *Cross Border Disabilities and Special Circumstances of the Australian Capital Territory*.

SCALE AFFECTED EXPENDITURE

10. In the 1999 Review, administrative scale and input costs factors were assessed for this component. Staff intend to recommend no change.

SUPPORTED ACCOMMODATION ASSISTANCE PROGRAM (SAAP)

11. This component covers a range of support and supported accommodation services for people, other than children and youths, who are homeless or at risk of homelessness.

Range of Factors

12. In the 1999 Review, the factors assessed for this component were dispersion, input costs, socio-demographic composition and cross-border.

13. Tasmania advocated the inclusion of a service delivery scale factor for this component. It said that the current method did not reflect the costs faced by States in delivering services in small rural centres and from smaller facilities. Because the services were provided from centralised or larger population centres, Tasmania incurred additional costs in providing individual services to clients living outside those centres.

14. The additional costs associated with delivering the services in rural or remote areas, or to sparsely populated communities, are generally covered in the dispersion factor — in particular, the costs of communication, freight, travel and locality allowances. It is likely that the cost Tasmania faces in delivering services in rural and remote areas are already taken into account by the dispersion factor. Whether service delivery scale disabilities should be assessed for the provision of services in remote areas depends on how services are provided in most States.

15. The present assessment assumes that the States arrange the provision of these services from larger centres and that staff travel to provide services to clients. If this is incorrect, States should let us know. Unless State responses show that service delivery scale disabilities are present when standard policies apply, and that they are material, staff will not recommend inclusion of a service delivery scale factor in the assessment.

16. Table 3 shows that in Tasmania a higher proportion of SAAP services were available in rural areas.

Table 3 SAAP SERVICES BY REGION, 1999-2000

| Localities | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|----------------|--------|--------|--------|--------|--------|-------|-------|-------|-------|
| | % | % | % | % | % | % | % | % | % |
| Capital city | 72.0 | 75.2 | 61.4 | 66.2 | 77.4 | 47.8 | 100.0 | 37.1 | 69.7 |
| Rural areas | 24.6 | 24.5 | 35.1 | 15.2 | 21.9 | 52.2 | 0.0 | 0.0 | 25.1 |
| Remote areas | 3.4 | 0.3 | 3.5 | 18.6 | 0.7 | 0.0 | 0.0 | 62.9 | 5.2 |
| Australia (no) | 51 200 | 42 600 | 26 100 | 13 000 | 10 900 | 5 800 | 3 200 | 4 700 | 100.0 |

Source: AIHW *Australia's Welfare 2001*, Table 8.6, p 341.

17. Comparing the data in Table 3 with that in Table 4 suggests that the distributions of SAAP services are largely in proportion to State population in urban and rural areas, although slightly more services are provided in remote areas in Western Australia and the Northern Territory and in capital cities in New South Wales, Victoria, Queensland, South Australia and Tasmania.

18. Staff seek information from the States on the mode of delivery of SAAP services in the rural and remote areas and the average unit cost of services in metropolitan, rural and remote areas of States. Pending receipt of this information and consideration of the materiality of including an economic environment factor, staff intend to recommend that the same range of factors be assessed for this component as in the 1999 Review.

Table 4 POPULATION BY LOCALITIES, JUNE 2001

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|--------------|------|------|------|------|------|------|------|------|------|
| Capital city | 75.7 | 75.7 | 59.6 | 73.3 | 73.3 | 41.8 | 99.9 | 46.2 | 71.5 |
| Rural areas | 23.5 | 24.1 | 35.0 | 17.5 | 24.9 | 57.6 | 0.1 | 8.4 | 25.6 |
| Remote areas | 0.8 | 0.3 | 5.4 | 9.2 | 1.8 | 0.6 | 0.0 | 45.4 | 2.9 |
| Australia | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Source: AIHW Analysis of ABS SLA population estimates for June 2001.

Socio-demographic Composition

19. In the 1999 Review, the socio-demographic composition factor for this component was based on a relevant population of low-income people (defined as people living in families with annual incomes of \$26 000 or less and individuals with incomes of less than \$15 600). The data were obtained from an ABS 1996 Census of Population and Housing cross-tabulation of low-income people by age-sex, Indigeneity, English proficiency, and remoteness. Weights were applied to:

- (i) age/sex bands within the low income populations of 0-14, 15-19, 20-24, 25-29, 30-39 and 40 plus — derived from data collected for the Commonwealth funded Supported Accommodation Assistance Program (SAAP);
 - (ii) all Indigenous people — a weight of six was derived from SAAP client data; and
 - (iii) all Indigenous persons living in remote areas (as defined by the RRMA classification) — an additional weight of 1.25 was applied.
20. The issues raised in the States' submissions included:
- (i) using SEIFA as an indicator of demand rather than low-income status;
 - (ii) the need to revise the weight used for low-English fluency; and
 - (iii) the need to revise the weight for Indigenous people in remote areas.

21. **Low-income status.** Tasmania considered the ABS SEIFA would be a better indicator than income status. It said that SEIFA would more comprehensively reflect the range of influences on the demand and cost of welfare services because these indexes combine a number of factors that define the relative socio-economic status of each State's population.

22. The ACT argued that low-income status did not accurately measure the actual demand for, and costs of providing, SAAP services. It suggested that the

Commission use the actual number of SAAP clients and actual costs of servicing SAAP clients as the bases for measuring each State's disability.

23. **Discussion.** The use of SEIFA as an indicator of relative levels of demand is discussed in detail in Discussion Paper CGC 2002/45 *Welfare Part 2: Family and Child Services*. In summary, staff are not convinced that SEIFA — even a more targeted SEIFA — is preferable to low income status as a measure of the impact of socio-economic status on demand for welfare services.

24. The actual use of services in a State is unlikely to be a policy neutral measure of disability. Australian average use of SAAP services would however be a policy neutral basis for a disability assessment. Staff are investigating the availability of use data broken down by age, sex, Indigeneity and non-English speaking background (NESB). If SAAP data are available in this form, a direct assessment method applying Australian average use rates to the population of each State would be possible.

25. Subject to the outcome of the November Conference, staff intend to recommend that SEIFA not be substituted for low income status. Staff also intend to investigate the feasibility of devising a direct measure of need using Australian average use data for SAAP services.

26. **Weight for low English fluency.** Victoria argued that the current weight for people with low English fluency should be increased from 1.5 to 5. It based this on a comparison of the proportion of users of its SAAP services who were from non-English speaking background (15.7 per cent) with the proportion of the total Australian population who had low English fluency (3.1 per cent).

27. Tasmania opposed the current weight for low English fluency and proposed discounting the weight for the economies of scale that occurred when services were provided to large low English fluency groups. In support of its view, Tasmania stated that the costs of delivering services were greater in smaller communities where it was difficult to find people with appropriate knowledge or skills to provide assistance to people with different cultural and language backgrounds.

28. **Discussion.** As stated in Discussion Paper CGC 2002/21, *Socio-Demographic Composition*, the Commission accepts that States can experience differences in demand and unit cost in providing services:

- (i) to population groups with low English fluency — because of the need for interpreters and the extra time taken in providing the service;
- (ii) to culturally diverse populations because:
 - developing culturally appropriate services and ensuring access to them as well as to mainstream services costs more per client than the standard service; and

- special programs are needed to deal with the alienation experienced by some groups, for example, to manage behaviour in schools or deal with gang-based crime.

The issue is whether these influences are relevant to the services provided in this category and how they should be measured.

29. In the 1999 Review, a weight of 1.5 was applied to the people with low English fluency based on the estimated additional cost of interpreting and related services that States incurred in providing services to this population group.

30. The SAAP National Data Collection allows a limited but valid comparison of use patterns to be made. The data collection defines non-English speaking background as persons from countries rated 2-4 on the DIMIA scale¹. According to these data, in 2000-01, 10.4 per cent of SAAP users were people from low English proficiency groups while these groups comprised 16.4 per cent of the total Australian population² — this implies a use weight of less than one for this group. However, this comparison may be based on a definition of NESB which is too broad and staff will seek to refine it.

31. Regarding the cost weight of 1.5, staff seek information from all States on the additional services provided to SAAP users from a non-English speaking background in addition to interpreter and translating services.

32. ***Weight for the Indigenous population in remote areas.*** Victoria argued that the needs of the Indigenous population in remote areas for SAAP services were double counted. It said that the higher costs involved with remote Indigenous population were also assessed under the physical environment factor included in the public housing category.

33. ***Discussion.*** In the 1999 Review, the Commission assessed disabilities for Indigenous people where it was demonstrated that:

- (i) they used more services per capita than other Australians;
- (ii) they used different services than those used by other population groups: or

¹ The Commonwealth Department of Immigration & Multicultural & Indigenous Affairs (DIMIA) has devised the English Proficiency (EP) classification of migrants and refugees which groups countries of origin. Country Groups are based on the percentage of arrivals from each country of birth in the five years up to the 1996 Census who only spoke English or, if they spoke another language, spoke good English (as stated in the Census). This percentage is termed the EP index.

The EP groups are:

- EP1 = countries with an EP index rating of 98% or more with at least 10 000 residents in Australia;
- EP2 = countries with an EP index rating of 80% or more but excluding those countries in EP1;
- EP3 = countries with an EP index rating of at least 50% but less than 80%; and
- EP4 = countries with an EP index rating of less than 50%.

² AIHW, *SAAP National Data Collection, Annual Report 2000-01*, Table 3.5, p 16.

- (iii) they used the same services but the cost of providing a unit of service differed from the rest of the population.

34. In this approach, the use and/or cost weights for Indigeneity reflected the additional use or costs attributable to the Indigenous population, arising from socio-economic and language disabilities. An additional weight was applied to the Indigenous population in remote areas where evidence suggested that cultural differences was an important reason for greater demand for, or cost of, services.

35. Table 5 shows that in 1996, over 26 per cent of Indigenous people lived in either remote or very remote regions, compared with only 2 per cent of the non-Indigenous population.

Table 5 INDIGENOUS AND NON-INDIGENOUS POPULATION BY ARIA REGION, 1996

| Accessibility category | Indigenous people | | Non-Indigenous people | |
|------------------------|-------------------|-------|-----------------------|-------|
| | no | % | no | % |
| Highly Accessible | 154 059 | 43.2 | 14 469 643 | 82.6 |
| Accessible | 70 530 | 20.0 | 1 026 809 | 11.6 |
| Moderately accessible | 35 990 | 10.2 | 669 011 | 3.8 |
| Remote | 26 978 | 7.6 | 230 081 | 1.3 |
| Very remote | 65 271 | 18.5 | 122 062 | 0.7 |
| Total | 352 828 | 100.0 | 17 517 606 | 100.0 |

Source: CGC, *Report on the Indigenous Funding Inquiry 2001*, Table A-2, p 268.

36. Table 6 shows that Indigenous people use SAAP services at a much greater rate than their population share. It also shows that approximately 13 per cent of Indigenous Australians speak an Indigenous language at home and the representation of Indigenous people in these circumstances is higher in the Northern Territory, South Australia, Western Australia and Queensland.

37. Indigenous people living in remote areas are more likely to lead a traditional lifestyle. This causes additional service delivery costs because of the requirement to provide culturally appropriate services — covering language and cultural practices.

38. In the 1999 Review, an additional cost weight of 1.25 was applied, based on judgement, for Indigenous people in remote areas to account for additional costs in providing services to Indigenous people with cultural and linguistic differences.

39. Staff consider that there is a case for retaining the additional weight for Indigenous users of SAAP services. We seek information from the States on the additional costs of SAAP services provided to Indigenous people in urban, rural and remote areas.

Table 6 SAAP USE BY INDIGENOUS POPULATION

| Representation among SAAP clients | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|---|------|-----|------|------|------|-----|-----|------|------|
| | % | % | % | % | % | % | % | % | % |
| 1997-98 | 13.6 | 3.9 | 13.5 | 30.8 | 12.5 | 7.9 | 7.6 | 42.4 | 12.7 |
| 1998-99 | 13.5 | 4.4 | 14.2 | 30.6 | 13.2 | 8.8 | 8.2 | 47.2 | 13.0 |
| 1999-2000 | 15.0 | 4.5 | 15.9 | 31.5 | 12.4 | 8.7 | 9.2 | 44.8 | 13.8 |
| Indigenous proportion of State population (a) | 1.9 | 0.5 | 3.1 | 3.2 | 1.6 | 3.5 | 1.2 | 25.1 | 2.2 |
| Speak Indigenous language at home (a) | 0.7 | 1.3 | 5.2 | 14.8 | 16.3 | 0.2 | 1.7 | 61.6 | 12.6 |

(a) Census 2001.

Source: Productivity Commission, *Report on Government Services 2001*, Table 15A.16A. CGC *Report on the Indigenous Funding Inquiry*, Table A-1, p 266.

OTHER WELFARE

Range of Factors

40. In the 1999 Review, factors assessed in the other welfare component were dispersion, input costs, socio-demographic composition and cross-border. Staff intend to recommend that the same range of factors be adopted for the 2004 Review.

Socio-demographic Composition

41. In the 1999 Review, the socio-demographic composition factor was based on a relevant population of low-income people (defined as people living in families with annual incomes of \$26 000 or less and individuals with incomes of less than \$15 600). The data were obtained from an ABS 1996 Census of Population and Housing cross-tabulation of low-income people by age-sex Indigeneity, English proficiency, and remoteness. Within the relevant population, differential weights were applied for age/sex, Aboriginality and low English fluency.

- (i) weights for the age groups 0-14 and 60 plus were set at one; the weight for those aged 15-59 was set at two.
- (ii) A use weight of four was applied to Indigenous people. This was based on a weight of six for the total Indigenous population, adjusted to remove the effect of double counting between the age and Indigeneity elements of the assessment.
- (iii) A weight of 1.5 was applied to all persons who spoke a language other than English at home, and who spoke English 'not well' or 'not at all', including Indigenous people where necessary.

(iv) An additional Indigenous weight of 1.25 was applied to all Indigenous persons living in remote areas, as defined by the RRMA classification.

42. The States raised:

- (i) the need to revise the weight for the Indigenous population; and
- (ii) the need to recognise the additional costs associated with people with low English fluency.

43. **Indigeneity weight.** Victoria argued that the weight of four applied to the Indigenous people was overestimated because of their low home ownership and hence low impact on levels of municipal rate concession payments.

44. **Discussion.** In the 1999 Review, an additional use/cost weight of four was applied to Indigenous people because this group was in the high-risk category for alcohol consumption, substance abuse and related violence, and this was considered to be associated with higher demand for other welfare services.

45. Staff propose to investigate the additional costs of providing other welfare services to Indigenous people and would welcome any data the States can provide.

46. **Additional costs incurred for people with low English fluency.** New South Wales argued that the current assessment did not recognise the additional expenses that are associated with humanitarian refugees and migrants. It said that humanitarian migrants often required additional services due to their experiences prior to coming to Australia.

47. **Discussion.** Table 7 shows that the humanitarian refugees accounted for only 2.8 per cent of the total NESB population, defined as persons from countries rated 2-4 on the DIMIA scale, which in turn represents 9.6 per cent of the total Australian population. On this basis, humanitarian refugees are 0.3 per cent of the total Australian population.

48. Whether a separate disability factor is warranted for this sub group will depend on the size of the additional costs incurred by States in providing services to these people. Staff seek information from the States on the additional costs of providing services and any special arrangements for services that are specifically provided to the humanitarian refugees. If an in principle case is established for assessment of this influence, staff will also consider the materiality of including this additional element in the socio-demographic composition factor for this very small category.

Table 7 DISTRIBUTION OF HUMANITARIAN SETTLERS 1996-2001

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|--|---------|---------|---------|---------|---------|--------|--------|-------|-----------------------|
| Settlers who arrived under the Humanitarian Program 1996-2001 | 20 249 | 14 867 | 5 672 | 3 964 | 3 730 | 536 | 509 | 251 | 49 983 ^(a) |
| NESB population 2001 Census ^(b) | 729 473 | 588 017 | 165 068 | 149 641 | 112 575 | 12 107 | 27 369 | 9 831 | 1 794 081 |
| Settlers who arrived under the Humanitarian Program 1996-2001 as a proportion of NESB population | 2.8 | 2.5 | 3.4 | 2.6 | 3.3 | 4.4 | 1.9 | 2.6 | 2.8 |
| NESB as a proportion of total population 2001 Census | 11.6 | 12.7 | 4.6 | 8.2 | 7.7 | 2.7 | 8.9 | 4.8 | 9.6 |

(a) Includes State of residence unknown.

(b) Only includes persons from NESB countries.

Source: Department of Immigration & Multicultural & Indigenous Affairs Settlement Database. CGC Special Data Request from ABS.

USER CHARGES

49. User Charges are very small when compared with total expenses for this category. No issues were raised by the States concerning the present treatment of this item. Staff intend to recommend that the revenue for this category continue to be treated by the equal per capita approach.

CONCLUSIONS

50. A summary of the proposed assessment structure for the 2004 Review is shown in Table 8. The component weights shown in the table are indicative.

Table 8 ASSESSMENT STRUCTURE

| Component | Component weight | Factors | Basis of calculation |
|--|------------------|-------------------------------|---|
| | % | | |
| Scale-affected expenditure | 2.5 | Input costs | General method. |
| | | Administrative scale | General Method. |
| Supported Accommodation Assistance Program | 41.0 | Dispersion | General Method. |
| | | Input costs | General method. |
| | | Socio-demographic composition | Derived by applying weights to population subsets for age, sex, Indigeneity, low English fluency and low income status. |
| | | Cross-border | Assessed for New South Wales and the ACT by the general method. |
| Other welfare | 56.5 | Dispersion | General Method. |
| | | Input costs | General method. |
| | | Socio-demographic composition | Derived by applying weights to population subsets for age/sex, Indigeneity, low English fluency and low income status. |
| | | Cross-border | Assessed for New South Wales and the ACT by the general method. |
| User charges | | Nil | Equal Per Capita |

INFORMATION TO BE COLLECTED FROM STATES

51. Areas in which additional information from the States would assist the assessment include:

- (i) information on common practice of providing SAAP to the rural and small centres and per unit costs of services in metropolitan, rural and remote areas;
- (ii) additional SAAP services provided to NESB people (in addition to interpreting and translating services);
- (iii) costs of additional services provided to Indigenous users of SAAP in urban, rural and remote areas;
- (iv) data on the additional cost of providing other welfare services to Indigenous people in urban, rural and remote areas; and
- (v) additional services and the unit cost of services provided to humanitarian refugees.