



# **COMMONWEALTH GRANTS COMMISSION**

**DRAFT ASSESSMENT PAPER CGC 2003/35**

## **HOUSING**

Prepared for the Commission's 2003 Conferences on Draft Assessments

**AUGUST 2003**

## **NOTE**

Included in this paper are the results of preliminary calculations based on the methods proposed throughout the paper and using the data currently available. Those results are indicative only and should be seen as work in progress. Ongoing changes are being made to standards and factor calculations as new data come to hand. Moreover, the calculations have been done using a prototype assessment system and are subject to ongoing revision as checking processes proceed.

## CONTENTS

---

INTRODUCTION	1
THE 1999 REVIEW ASSESSMENT	1
Description of category	1
Assessment method	3
ASSESSMENT FOR THE 2004 REVIEW	4
PROPOSED CATEGORY DEFINITION AND STRUCTURE	4
ASSESSMENT	9
FIXED COSTS	9
Input costs — fixed costs component	10
Administrative scale	11
PUBLIC HOUSING — MANAGEMENT	12
Socio-demographic composition factor	12
Input costs — public housing — management component	21
Dispersion factor	22
PUBLIC HOUSING — MAINTENANCE	24
Building maintenance factor	24
Physical environment factor	25
Socio-demographic composition	27
Input costs — public housing — maintenance component	32
Dispersion factor	32
PRIVATE RENTAL AND HOME PURCHASE ASSISTANCE	33
Socio-demographic composition factor	34
ISOLATION	38
NATIVE TITLE	39
NATIONAL CAPITAL	40
PROPOSED ASSESSMENT FOR THE 2004 REVIEW — EXPENSES	42
Derivation of category factor	42
Standardised expenses	44
Effect of assessment on grants	45
USER CHARGES	46

PROPOSED ASSESSMENT FOR THE 2004 REVIEW — USER CHARGES	50
Derivation of revenue raising capacity	50
Standardised user charges	51
Effect of assessment on grants	52
ATTACHMENT A: USE WEIGHTS FOR SOCIO-DEMOGRAPHIC FACTOR FOR PUBLIC HOUSING — MANAGEMENT COMPONENT	54
ATTACHMENT B: USE WEIGHTS FOR SOCIO-DEMOGRAPHIC FACTOR FOR PUBLIC HOUSING — MAINTENANCE COMPONENT	56

## INTRODUCTION

1. This paper presents a draft assessment for the Housing category for the 2004 Review. It builds on the staff proposals set out in *Discussion Paper CGC 2002/33 Housing* and State comments on them provided at the 2002 Conferences and the 2003 Rejoinder Submissions.

2. States and staff had major concerns about the 1999 Review assessment. Consequently, Discussion Paper CGC 2002/33 proposed a new assessment for housing. The revised assessment was aimed at better reflecting the way States provide services and improving the targeting of disabilities.

3. This paper examines the 1999 Review method and outlines the details of the revised method for the 2004 Review. Table 40 summarises the proposed assessment for the 2004 Review.

## THE 1999 REVIEW ASSESSMENT

### *Description of category*

4. In the 1999 Review, the Housing category comprised gross operating expenses on welfare housing and Indigenous housing. The category also included administration costs and explicit interest subsidies paid on State-run home purchase assistance programs. Costs attributable to the housing of State public servants were included in the relevant functional category. Housing user charges included revenue from the rental of public housing.

5. Table 1 shows the gross standard expenses for six financial years. In 2001-02, this category represented 2.03 per cent of total gross standard expenses. Housing User Charges represented 71.60 per cent of Housing gross standard expenses in 2001-2002.

6. The standard expense for Housing in 2001-02 was \$101.62 per capita. The standard for Housing User Charges in 2001-02 was \$72.76 per capita.

**Table 1** HOUSING — GROSS STANDARD EXPENSES AND USER CHARGES, 2003 UPDATE

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Expenses						
\$pc	73.08	74.83	91.54	97.87	99.26	101.62
% of total gross standard expenses	1.99	1.94	2.01	2.11	2.04	2.03
User charges						
\$pc	55.25	54.06	63.24	69.11	70.05	72.76
% of Housing gross standard expenses	75.60	72.25	69.09	70.62	70.57	71.60

7. Table 2 shows State shares of net needs per capita (standardised net expenditures less net standard expenditure) for 2001-02 for the 2003 Update. Compared to an equal per capita assessment, the 2003 Update Housing assessment redistributed \$120 million away from Victoria and Western Australia to the other States. Compared with an equal per capita assessment, the 2003 Update Housing User Charges assessment redistributed \$78 million away from New South Wales, Queensland, South Australia, Tasmania and the Northern Territory to the other States. Taken together, the two assessments redistributed \$52.9 million, \$52.8 million of which was distributed away from Victoria to the other States.

**Table 2** COMPARISON OF NEEDS, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Standardised expenditure	103.25	80.83	117.19	93.80	112.09	125.20	99.40	210.13	101.62
Standardised revenue	74.56	62.10	86.27	59.82	83.98	78.99	65.09	60.19	72.76
Standardised net expenditure	28.69	18.73	30.92	33.98	28.11	46.21	34.31	149.94	28.86
Implied net needs	-0.17	-10.13	2.06	5.12	-0.75	17.35	5.45	121.08	0.00

Source: CGC 2003 Update Working Papers Vols. 4 and 5.

8. A number of Specific Purpose Payments (SPPs) from the Commonwealth were associated with this category in 2001-02. The Assistance for Housing (recurrent) grant was treated by inclusion. The recurrent ATSIC Grant for Indigenous purposes was treated by inclusion and the capital ATSIC Grant for Indigenous purposes was treated by exclusion. Seven per cent of Commonwealth-State Housing Assistance (CSHA) Block Assistance (capital), Social Housing Subsidy Program (capital), Housing Assistance for Indigenous People (capital) and Community Housing (capital) grants was treated by inclusion because those funds were used for recurrent purposes.

9. The major housing SPP is CSHA assistance, which takes the form of general assistance funding (public housing, home purchase assistance and private rental assistance) and specified funding for identified programs — the Aboriginal Rental Housing Program (ARHP), Crisis Accommodation Program and Community Housing Program. The majority of CSHA funding is distributed to States on an equal per capita basis, with the States

contributing additional funding from their own resources to partly ‘match’ Commonwealth funding allocations. In 1998-99, the States contributed about \$1 for every \$2 provided by the Commonwealth.

***Assessment method***

10. The assessment structure used for the Housing category in the 1999 Review is summarised in Table 3. The assessment for user charges as shown in Table 4.

**Table 3** 1999 REVIEW ASSESSMENT STRUCTURE — HOUSING EXPENSES

Component	Component weight	Factors	Basis of calculation
		%	
Scale-affected expenditure	4.87	Input costs	General method with weights of 80% for wages, 2% for accommodation, and 1% for electricity.
Housing rental services	94.89	Administrative scale	General method.
		Building maintenance	Uses the Rawlinson Building Construction Cost Index as a proxy for differences in maintenance costs between regions.
		Dispersion	General method.
		Input costs	General method with weights of 20% for wages, 2% for accommodation, 1% for electricity and 50% for building maintenance costs.
		Physical environment	Based on the higher service costs attributable to harsh environmental impacts.
		Socio-demographic composition	Based on the affordability criteria that no more than 25% of household income would be paid in rent, adjusted by an Indigenous service/use weight of 2 for Indigenous tenants.
Isolation	0.24	Isolation	General method.

**Table 4** 1999 REVIEW ASSESSMENT STRUCTURE — HOUSING USER CHARGES

User charges component	Component weight	Factors	Basis of calculation
	%		
Rent revenue	100.00	Socio-economic composition	Based on the affordability criteria that no more than 25% of household income would be paid in rent.
		Tenant income	Based on differences in mean income of public renters after taking account of market rent.

### ASSESSMENT FOR THE 2004 REVIEW

11. The Housing category will continue to comprise gross operating expenses on welfare housing and Indigenous housing, including depreciation. The category will also include administration costs and explicit interest subsidies paid on State-run home purchase assistance programs. Costs attributable to the housing of State public servants will be included in the relevant functional category.

12. The SPPs associated with housing in 2002-03 were Assistance for Housing, CSHA Block Assistance, the Social Housing Subsidy Program, Housing Assistance for Indigenous people, Community Housing and ATSIC Grants for Indigenous Purposes. All SPPs were proposed to be treated by inclusion<sup>1</sup>.

### PROPOSED CATEGORY DEFINITION AND STRUCTURE

13. **1999 Review.** In the 1999 Review, most expenditure in this category was allocated to the Public Rental Housing component (about 95 per cent) (see Table 3). Five disability factors were assessed for this component. They were socio-demographic composition, dispersion, input costs, physical environment and building maintenance.

14. **Preliminary State views.** States said the 1999 Review assessment:

- (i) gave much more weight to private renters than public renters when the opposite would more accurately reflect the balance of service provision (the socio-demographic factor was dominated by the

---

<sup>1</sup> *Discussion Paper CGC 2003/2 Treatment of Commonwealth Revenue Payments* proposed that capital grants be treated in the same way as recurrent SPPs. No distinction has been made between capital and recurrent grants associated with the Housing category.

estimated numbers of subsidised private renters, with no reference to the relative importance of this group to total State expenditure); and

- (ii) should separately assess community housing because needs in this area were likely to be different from those assessed for public rental housing.

15. **Staff proposals.** Consistent with the treatment of Housing in the 1999 Review, staff proposed in Discussion Paper CGC 2001/12 that Housing be assessed using a gross expenses and gross revenue approach. This was:

- (i) to achieve consistency in treatment across States because the institutional arrangements for the services were different;
- (ii) because there was usually a high degree of government subsidy for Housing; and
- (iii) because Housing was intended to achieve common public policy (welfare-type) objectives.

16. The Commission confirmed its commitment to this approach for the 2004 Review in *Discussion Paper CGC 2002/03 Scope and Structure of the Equalisation Budget*. For assessment purposes, the consequence was that the assessment would focus on the non-policy influences affecting use and cost of providing housing services and States' ability to raise revenue from them.

17. *Discussion Paper 2002/33 Housing* proposed the following assessment framework for expenses for this category for the 2004 Review:

- (i) scale-affected expenses<sup>2</sup>;
- (ii) public housing – management (including Indigenous and community housing);
- (iii) public housing – maintenance (including Indigenous and community housing);
- (iv) private rental and home purchase assistance; and
- (v) isolation.

18. **Further State views.** Most States, with qualifications, broadly supported the proposal, stating that it effectively reflected the way they provide housing services.

19. The ACT argued that the assessment should be subsidy based as this more accurately reflected changes in the way housing services were being provided. Western Australia supported a net assessment but this was opposed by South Australia and Queensland because it would not allow needs to be properly assessed.

---

<sup>2</sup> Now called fixed costs.

20. States raised two issues regarding the proposed assessment framework:

- (i) whether community housing should be a separate component; and
- (ii) whether Indigenous housing should be a separate component.

21. The ACT said that the proposed structure did not adequately take into account community housing, where subsidies essentially made up the difference between market rents and rent charged to clients. Western Australia said that the Commission should separately assess expenditure on community housing, as needs in this area were likely to be different from those assessed for public rental housing.

22. However, Victoria stated that its subsidy was not designed to compensate for the difference between rents paid by community housing tenants and market rents. It said that the way community housing was provided was policy as well as needs driven.

23. While agreeing that remote Indigenous housing is essentially a type of public housing, the Northern Territory argued that it should be assessed separately. It said that remote Indigenous housing was administered separately in the Northern Territory, took a different form from general public housing and faced a very high level of unmet need.

24. **Analysis. Community housing.** The majority of housing provision expenses in all States are directed towards public housing. Table 5 shows the proportion of housing expenses on community housing.

**Table 5** PROPORTION OF EXPENSES ON COMMUNITY AND PUBLIC HOUSING, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Community housing	6.7	12.9	2.0	3.1	1.7	1.4	6.4	3.2
Public housing	93.3	87.1	98.0	96.9	98.3	98.6	93.6	96.8

Source: State data returns.

25. Table 6 summarises the data on the cost of providing dwellings under each of these programs. Data<sup>3</sup> are limited to four States and the costs differences vary widely. They suggest that community housing could be cheaper than public housing, except in Western Australia. However, Australia-wide the average differences are not material.

---

<sup>3</sup> The CSHA Data collection notes that calculating community housing costs is difficult because of the difficulties encountered in collecting data from diverse organisations and programs. It does state, however, that the resulting data reflect the administrative and operational costs incurred by State Housing Authorities.

**Table 6** DIRECT COSTS PER DWELLING FOR COMMUNITY AND PUBLIC HOUSING, 2000<sup>(a)</sup>

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost per public housing dwelling	4034	3027	4150	4260	4248	6788	6231	7252	4140
Cost per community housing dwelling	2767	na	3600	7626	3791	na	na	na	4057

(a) The 2001-02 CSHA *Community Housing Data Collection* used the previous year's data.

Source: CSHA Data collection 2001-02

26. The Commission concluded that community housing should not be treated as a separate component because a conceptual case has not been made that its cost impact on government differs from that of public housing:

- (i) the eligibility requirements for community housing are the same as for public housing;
- (ii) the community housing sector is small relative to the public housing sector; and
- (iii) evidence supporting a cost difference in providing community housing compared with public housing is not reliable or clear.

In addition, there is limited data on community housing to enable a separate assessment.

27. *Indigenous housing.* Table 7 shows the proportion of housing expenses on Indigenous mainstream and Indigenous specific housing. It shows that expenses on Indigenous housing for mainstream and Indigenous specific programs across Australia comprise only 6.6 per cent of housing expenses. The proportion of housing expenses on Indigenous housing varies greatly across States, largely in relation to the size of the Indigenous population. The situation in the Northern Territory is different from that of other States, with 58 per cent of its public housing expenses on Indigenous housing.

**Table 7** EXPENSES ON INDIGENOUS HOUSING, 2001-02<sup>4</sup>

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Indigenous housing (mainstream and Indigenous specific)	5.9	1.6	4.9	18.0	9.9	1.5	0.4	58.0	6.6
Other public housing	94.1	98.4	95.1	82.0	90.1	98.5	99.6	42.0	93.4

Source: Special data request

28. The Commission does not consider a conceptual case exists for a separate Indigenous housing component. To the extent that the cost and use of public housing for Indigenous people is different from that of other public housing users, it can be reflected in weights attributed to the Indigenous population within the assessment of public housing.

29. *Component weights.* Staff received data from the States relating to the allocation of expenses to each component. Proportions for service delivery components were derived from these data. These were then adjusted for the proportions of expense represented by the fixed costs, isolation and native title<sup>5</sup> components.

30. Table 8 summarises the proposed structure of the assessment for the 2004 Review and shows the proposed component weights for 2001.

**Table 8** PROPOSED COMPONENT WEIGHTS, 2001

Component	Component weight (%)
Fixed costs	1.74
Public housing — management	35.77
Public housing — maintenance	54.99
Private rental and home purchase assistance	7.45
Isolation	0.04
Native title	0.02

31. *Commission decisions.* An examination of current practices in housing provision across the country and the nature of the new CSHA indicate that the housing assessment should remain focussed on the provision of public housing. A subsidy based assessment will not be adopted.

<sup>4</sup> These figures aim to include both Aboriginal Rental Housing Program (ARHP) and mainstream expenses on Indigenous housing, but it is difficult to separate out expenses on Indigenous people in mainstream housing. As the *Report on Indigenous Funding 2001* stated, 'data deficiencies make it impossible to be certain about the extent of Indigenous people's access to mainstream programs'. Commonwealth Grants Commission, *Report on Indigenous Funding 2001*, p. 152.

<sup>5</sup> This component was introduced because staff received data that there were native title expenses attributable to housing.

32. The Commission will adopt the assessment structure proposed in Discussion Paper CGC 2002/33. States generally supported it and said it corresponded to the way in which States provided housing assistance. A case has not been made that separate community or Indigenous housing components should be introduced.

33. Table 9 summarises Commission proposals regarding the structure of the assessment of the Housing category.

**Table 9** COMMISSION DECISION — PROPOSED CATEGORY DEFINITION AND STRUCTURE

Decision	Reason
To make an assessment of gross expense and user charge needs rather than of needs relating to subsidies.	The examination of current practices in housing provision across the country and the nature of the new CSHA indicate that the assessment should remain focussed on the provision of public housing rather than on subsidies to government trading enterprises.
The assessment framework should consist of: fixed costs; public housing — management; public housing — maintenance; private rental and home purchase assistance; isolation; and native title.	The assessment structure proposed in Discussion Paper CGC 2002/33 will be adopted given State support for it and evidence that it corresponds to the way States provide housing assistance.  The component weights are based on data provided by the States.
Separate components for community housing and Indigenous housing will not be included.	The community housing sector is small and it has not been demonstrated that providing community housing incurs different costs to providing public housing.  To the extent that the cost and use of public housing for Indigenous people is different from that of other public housing users, it can be reflected in weights attributed to the Indigenous population within the assessment of public housing.

## ASSESSMENT

34. The following sections set out the factors we propose to assess for each component.

### FIXED COSTS

35. Consistent with the general assessment framework adopted for all expenditure categories, the fixed costs component recognises that in providing a full range

of State type services to their populations, each State needs to establish a basic administrative structure. That structure needs to cover the costs of core head office functions of departments and services that must be provided for the whole of the State, the costs of which are inevitably greater in per capita terms to less populous States. Two factors will be assessed for this component: administrative scale and input costs.

***Input costs — fixed costs component***

36. **1999 Review.** The input costs factor was assessed to recognise differences between States in per capita costs of labour, office accommodation and electricity. A separate factor was calculated for each of those inputs. For the scale-affected costs component, those factors were applied to the following proportions of standard expenses:

- (i) wages and salaries                      80 per cent;
- (ii) accommodation                          2 per cent; and
- (iii) electricity                                1 per cent.

37. **2004 Review.** *Discussion Paper CGC 2003/04 Input Costs* sets out the issues raised by the States regarding the assessment of wages and salaries costs. The paper sets out the Commission's proposals for the general method of assessment to be adopted for the 2004 Review. *Draft Assessment Paper CGC 2003/79 Input Costs — Electricity and Accommodation* sets out the issues raised by the States regarding the assessment of input costs relating to accommodation and electricity. The paper sets out the Commission's decisions on the general method of assessment to be adopted for the 2004 Review and on the size of the standard expense proportions in each category for accommodation costs and electricity costs. The States did not raise issues specific to this category.

38. The Commission considered that the prices of labour, accommodation and electricity used in providing housing services differ across States for reasons beyond the control of individual States. It has therefore decided that input costs will be assessed for this component.

39. The input costs factors for the fixed costs component of this category, shown in Table 10, have been calculated according to the 2004 Review general methods. The standard expense proportions applied were 80 per cent for wages and salaries, 2 per cent for accommodation and 1 per cent for electricity.

**Table 10** INPUT COSTS FACTOR — FIXED COSTS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	1.03086	0.98776	0.98243	0.98229	0.97405	0.93225	1.00817	1.11439
1998-1999	1.03267	0.98876	0.98050	0.97883	0.97213	0.92981	1.01243	1.10979
1999-2000	1.03546	0.98791	0.97763	0.98082	0.96857	0.92317	1.01680	1.10513
2000-01	1.03603	0.98930	0.97573	0.98076	0.96738	0.92031	1.01603	1.10244
2001-02	1.03498	0.99044	0.97446	0.98186	0.97135	0.92001	1.01306	1.09897

40. The factors will be updated annually. The proportions represented by wages and salaries, accommodation and electricity will not be re-examined until the next review.

### *Administrative scale*

41. **1999 Review.** The administrative scale factor was assessed to account for differences in per capita costs of providing central office functions and whole of State services. Scale-affected expenses for this category were assessed as \$8 million, of which \$4 million was considered as fixed cost and \$4 million as variable cost. The scale-affected expenses component represented 4.87 per cent of expenses in this category.

42. **2004 Review.** *Draft Assessment Paper CGC 2003/60 Administrative Scale* discusses the issues raised by the States regarding the assessment of this factor. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and on the size of the fixed costs component in each category. The States did not raise issues specific to this category.

43. The Commission has decided that administrative scale will be assessed for this category to recognise the unavoidable costs each State would incur to have the policy and administrative infrastructure necessary to provide the service regardless of the size of the task.

44. The administrative scale factors for this category, shown in Table 11, have been calculated using the 2004 Review general method. Fixed costs for this category have been estimated to be \$5.0 million per State. The Commission also assessed extra fixed costs of \$1.1 million for the Northern Territory to recognise the extra costs it incurs through the dual policy development tasks it must perform because of the high proportion of Indigenous people in its population. Total fixed costs for the category are \$41.1 million, which represents 1.74 per cent of the category standard.

**Table 11** ADMINISTRATIVE SCALE FACTORS — FIXED COSTS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	0.30211	0.41296	0.55760	1.05466	1.28534	4.03738	6.16647	27.87869
1998-1999	0.30207	0.41349	0.55547	1.04998	1.29340	4.09409	6.19461	27.72095
1999-2000	0.30209	0.41375	0.55310	1.04784	1.30188	4.14576	6.20681	27.59636
2000-01	0.30202	0.41385	0.55050	1.04728	1.31266	4.19838	6.21083	27.55769
2001-02	0.30238	0.41361	0.54709	1.04686	1.32230	4.24385	6.22335	27.72015

45. The factor, which is based on estimated resident populations, and the component weight will be updated annually.

### PUBLIC HOUSING — MANAGEMENT

46. This component comprises expenditure on setting and collecting rents, administering the allocation and re-allocation of properties, and property inspections. The expenses in this component are mainly salaries and on-costs for staff providing services for public housing clients.

47. The factors proposed for this component were:

- (i) socio-demographic composition;
- (ii) input costs; and
- (iii) dispersion.

#### *Socio-demographic composition factor*

48. **1999 Review.** In the 1999 Review, the socio-demographic composition factor, which was applied to the public rental housing component, was derived from the number of low income persons in public housing and the number of persons benefiting from government rental assistance for private housing accommodation. Based on information provided by States, a cost weight of two was applied to Indigenous people in public housing or receiving rent assistance to recognise extra costs due to greater use, cultural influences and increased mobility. This weight did not take account of location or the price of materials — both of these influences were reflected in other factors.

49. **Preliminary State views.** Issues raised by the States included:

- (i) the method was not policy neutral as it was based on actual numbers of persons in public housing or receiving rent assistance;

- (ii) the method gave too great a weight to private renters;
- (iii) the method did not take into account the large differences in the housing markets between States;
- (iv) population subgroups such as the disabled, the aged, youth and humanitarian migrants were not taken into account; and
- (v) the weight for Indigenous people should be increased.

50. **Staff proposals.** In Discussion Paper CGC 2002/33, staff proposed that the socio-demographic composition factor for the public housing — management component would concentrate on influences on the size of the management task. The factor would attempt to measure the relative size of the standardised public housing sectors in each State and the extent to which sub-sets of the public housing client base required additional resources to manage.

51. The paper proposed a policy neutral method of constructing the socio-demographic composition factor. Cross-classified data for individuals in public housing by age, income, location and Indigeneity would be used to derive average Australian propensities to use public housing. These average Australian propensities would then be applied to the population in each State to derive standardised numbers of public housing tenants in each State.

52. **Further State views.** In general the States supported the proposed method for calculating the socio-demographic factor. Different States emphasised the use rates of, and costs associated with, particular population sub-groups.

53. Queensland, Western Australia, the ACT and the Northern Territory wanted the higher use rates and management costs associated with the Indigenous population to be reflected in the assessment<sup>6</sup>.

54. Tasmania argued that the assessment should reflect the higher management costs and use rates of people with additional needs, in particular the elderly and the disabled. New South Wales and the ACT wanted the higher management costs of providing housing to the mentally ill, the disabled, and people with culturally and linguistically diverse backgrounds (CALD) taken into account. The ACT also wanted the higher cost of providing housing to youth included. Victoria suggested that a low English fluency weighting should be included to account for additional costs associated with this population.

55. South Australia submitted that age and location were not relevant to the socio-demographic composition factor and that data needed to be compiled to see if a

---

<sup>6</sup> In its rejoinder submission and accompanying response to a data request, the Northern Territory stated that Indigenous tenants were 7 times more expensive to house because of transience, poor English, a higher propensity to damage property and 'invisible' visitors. This figure included a higher maintenance factor of 2.25, which implies that management costs for Indigenous clients were about 3.1 times those for non-Indigenous clients.

weight for Indigeneity were needed. It stated that income was the most important determinant of demand.

56. New South Wales and the ACT said that the proposed assessment did not include the cost of managing the waiting list. New South Wales maintained that this should be calculated with reference to the number of low income earners in housing stress. The ACT asked that the factor include other management expenses such as ongoing entitlements to rent rebates, debt servicing costs and statutory charges.

57. *Analysis. Population sub-groups.* We considered that a conceptual case existed that the low income, elderly, young, Indigenous and Non English Speaking Background (NESB) population sub-groups, the disabled and the mentally ill populations would make greater use of public housing than the general population.

58. We examined Census data relating to elderly, young, Indigenous and NESB population sub-groups<sup>7</sup> and their level of public housing use. The relationship between income levels, location and public housing<sup>8</sup> were also examined. CSHA data could not be used to calculate the per capita use rates our analysis requires because it details the number of public housing households and dwellings, not individual public housing tenants and their characteristics.

59. The data showed that the Indigenous population has a very high use rate of public housing. Other populations with higher use rates include the low income population, youth, the elderly and the remote population.

60. While the NESB population had a marginally higher use of public housing than the general population, this increased use rate may be the result of other concurrent population characteristics. Table 12 shows the NESB population's use of public housing and its propensity to fall within the low income bracket. The pattern is not consistent across States. The higher figures for the NESB population's use of public housing in Queensland, Western Australia and, in particular, the Northern Territory, are the result of remote Indigenous populations that are also NESB populations. We concluded that including a separate use weight for the NESB population was unnecessary because the marginally higher use by NESB people was more likely to be attributable to socio-economic status and Indigeneity than NESB.

---

<sup>7</sup> Defined as people living in households where English was not spoken.

<sup>8</sup> The low income group (those earning less than \$20 799 per annum) is consistent with that selected for socio-demographic composition analysis across the Commission, as discussed in *Draft Assessment Paper CGC 2003/59 Socio-demographic Composition*.

**Table 12** RATIO OF NESB POPULATION<sup>(a)</sup> TO NON-NESB POPULATION: USE OF PUBLIC HOUSING AND PRESENCE IN LOW INCOME BRACKET

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Ratio: NESB population use of public housing to non-NESB population use	1.1	1.4	2.0	1.6	0.9	0.7	1.4	5.7	1.4
Ratio: NESB population within low income bracket to non NESB population within low income bracket	1.1	1.2	1.2	1.2	1.2	1.1	2.2	1.4	1.3

Source: Census 2001, Special data request

(a) Defined as people living in households where English was not spoken.

61. While there may be a conceptual case that the use of public housing by the disabled and mentally ill populations was higher than the general population, there were no adequate data to test it. The use rates of these populations could not be separately assessed.

62. The data we examined support the inclusion of the following variables in the calculation of public housing use rates:

- (i) income — persons earning less than \$20 799 per annum, persons earning \$20 800 and more per annum and ‘not applicable’ (to reflect the presence of children under 15 in public housing);
- (ii) Indigenous status;
- (iii) age — people aged 24 and under, 25 to 64 and 65 and over; and
- (iv) location — residents in major cities, regional areas and remote areas.

63. Attachment A shows the use weights calculated from Australia wide Census data that will be assigned to the number of people in the relevant population sub-groups in each State.

64. States established a conceptual case that some population groups, such as Indigenous people and the NESB, disabled and young populations, cost more to manage. However, there were insufficient data to support the case and we have decided not to assess cost weights.

65. *Market rent adjustment.* In addition to socio-demographic composition, States said that market rent affected the level of public housing use. There is a conceptual case that States with an absence of affordable private rental housing for low income earners will have higher numbers of lower income earners in need of public housing.

66. The 1999 Australian Housing Survey (AHS) and Productivity Commission data confirmed that market rent affects housing affordability, particularly in the major

cities<sup>9</sup>. The 1999 AHS showed that mean weekly housing costs in the capital cities varied from \$164 per week in Sydney to \$96 per week in Adelaide<sup>10</sup>.

67. After investigating data sources that might form the basis of a market rent adjustment, we concluded that the most relevant figures were obtainable from Productivity Commission data on the degree to which Commonwealth Rent Assistance (CRA)<sup>11</sup> provided housing assistance. The maximum rates and the rent levels at which assistance cuts out are set at the same level for all areas of Australia, regardless of market rents. If market rents are high, CRA provides a lower level of housing assistance.

68. The Productivity Commission publishes data on the percentage of CRA recipients paying less than 30 per cent of income on rent before and after CRA. The remaining percentage of recipients pay more than 30 per cent of income on rent. This figure provides a basis from which a market rent adjustment can be derived.

69. The use of data on CRA recipients as the basis for a market rent adjustment has the following advantages:

- (i) The data reflect the relationship between high rents and the low income population's need for housing assistance. The use of general market rent data will not capture the situation where, for example, an average market rent is high but there remains cheaper private rental housing that low income earners can access. It is not easy to find comprehensive data on the relationship between the low income population and market rents. The data we have selected capture the relationship between at least a subset of the low income population and market rents.
- (ii) The adjustment can be updated each year using new Productivity Commission data. That updating allows shifts between the States in levels of housing affordability to be included, as requested by Victoria.
- (iii) The data incorporate the varying capacity of CRA payments to provide housing assistance across States as a result of different market rents. CRA payments have less impact in regions with high market rents because they are fixed across Australia.

70. The disadvantage of basing a market rent adjustment on data on CRA recipients is that the data are for CRA recipients only. Thus these data do not include welfare recipients who do not receive CRA or low income workers who are not eligible for CRA. The use of these data assumes that the low income population in general has the same access to affordable public housing as the population receiving CRA.

---

<sup>9</sup> See Productivity Commission, *Report on Government Services 2002*, Table 16A.51 and *Australian Housing Survey 1999*, ABS 4182.0.

<sup>10</sup> *Australian Housing Survey 1999*, ABS 4182.0, Table 15.

<sup>11</sup> The Commonwealth Government provides CRA to recipients of Commonwealth income support payments and assistance for families who are in private rental accommodation.

71. There is also potential for the CRA data to be influenced by policy. An absence of public housing could result in an over reliance on CRA to alleviate housing need. (While this issue could be addressed by using the proportion of recipients in need before CRA, we would then lose the ability to adjust for the differential impact of CRA across States as a result of market rents.)

72. The increased demand for housing assistance as a result of market rent is not all addressed by public housing. Australian data on households requiring housing assistance (incorporating low income households in public housing and low income, private rental households paying more than 25 per cent of income in rent) showed that 25 per cent of them were public housing households. This indicated that, on average, public housing addresses the demands of one in four households requiring housing assistance. A discount of 75 per cent would thus be applied to the market rent adjustment to reflect that, on average, public housing provides assistance to a quarter of people who potentially require housing assistance.

73. On balance, we consider that using CRA data in the way proposed gives a good indication of how the level of market rents in a State cause differences between them in the need for public housing. We have decided to adopt this approach. Table 13 shows the proportion of CRA recipients who pay more than 30 per cent of income in rent before and after receipt of CRA. In New South Wales, the ACT and the Northern Territory there is a higher proportion of CRA recipients paying more than 30 per cent of their income on rent after receiving CRA. Table 13 also shows the resulting market rent adjustment and the discounted market rent adjustment.

**Table 13** MARKET RENT ADJUSTMENT FACTOR AS DERIVED FROM IMPACT OF CRA ON RECIPIENTS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
CRA recipients paying more than 30% of income on rent without CRA	70.50	67.20	66.60	65.60	63.20	60.20	68.60	71.70	67.60
CRA recipients paying more than 30% of income on rent with CRA	38.00	32.00	31.00	28.90	27.90	21.30	41.10	38.80	33.10
Market rent adjustment factor	1.14804	0.96677	0.93656	0.87311	0.84290	0.64350	1.24169	1.17221	1.00000
Market rent adjustment factor discounted 75%	1.03701	0.99169	0.98414	0.96828	0.96073	0.91088	1.06042	1.04305	1.00000

Source: These figures are derived from the Productivity Commission, *Report on Government Services*, 2003, Table 16A.49. The number of recipients paying less than 30 per cent of income spent on rent with CRA was subtracted from 100 per cent to obtain the number of recipients paying more than 30 per cent of income on rent.

74. *Waiting lists.* It is not clear to the Commission why New South Wales and the ACT considered that the disabilities affecting the management of waiting lists would differ from those affecting public housing management.

75. ***Commission decisions.*** The Commission accepts that a conceptual basis exists for including use weights for Indigeneity, income, age and location in the derivation of weights for this factor. This case is supported by data that show large differences in use rates. Use weights can be derived from these data.

76. While there was a conceptual case for including use weights for the NESB population, data did not show that the NESB population used public housing at a consistently higher rate across Australia. Higher usage tended to be related to socio-economic status and Indigeneity.

77. The Commission accepts that a conceptual case exists for the inclusion in this factor of a market rent adjustment. This conceptual case is supported by qualitative and quantitative evidence showing that, particularly in the capital cities, housing is less affordable for the lower income population. Data are available from which an adjustment can be derived.

78. The Commission accepts that a conceptual basis exists for including the disabled and mentally ill populations in this analysis, however, there is insufficient adequate data on their use of public housing. These populations can not be separately assessed.

79. The Commission acknowledges that States made conceptual cases for the Indigenous, NESB, young and disabled population sub-groups to be attributed cost weights. There is, however, insufficient data demonstrating that particular sub-groups cost more to manage.

80. Table 14 summarises Commission proposals regarding the socio-demographic composition factor for the public housing — management component.

**Table 14** COMMISSION DECISIONS — SOCIO-DEMOGRAPHIC COMPOSITION FACTOR FOR PUBLIC HOUSING — MANAGEMENT COMPONENT

Decision	Reason
To include use weights for populations disaggregated by location, income, Indigenous status and age.	<p>A conceptual basis exists for including use weights for Indigeneity, income, age and location in the derivation of weights for this factor. This case is supported by Census data from which such weights can be derived.</p> <p>While there was a conceptual case for including use weights for the NESB population, data did not show that the NESB population used public housing at a consistently higher rate across Australia. Higher usage tended to be related to socio-economic status and Indigeneity.</p> <p>A conceptual basis exists for including the disabled and mentally ill populations in this analysis, however, there are no data on their use of public housing.</p> <p>States made conceptual cases that the Indigenous, NESB, disabled and young populations should be attributed cost weights. However, there are insufficient data demonstrating that they cost more to manage.</p>
Inclusion of an adjustment to reflect the impact of different market rents across States. This adjustment is applied to the low income population. The adjustment is discounted by 75%.	Where market rents are higher there is a greater likelihood that the low income population will require more public housing assistance. Data showing diverse market rents across Australia support this case. Data are available from which an adjustment can be derived.

81. **Proposed method.** The socio-demographic composition factor for the public housing — management component is calculated by:

- (i) Calculating the market rent adjustment by:
  - calculating the proportion of CRA recipients paying more than 30 per cent of income on rent after CRA;
  - dividing each State’s proportion by the Australian proportion to obtain a ratio; and
  - discounting the resulting ratio by 75 per cent.
- (ii) Calculating the basic socio-demographic composition factor by:
  - obtaining a cross-tabulation of 2001 Census data which includes public housing users by age, income, Indigeneity and location;
  - calculating for Australia the public housing use rates for the selected groups;

- multiplying the relevant populations in each State by the national average use rates calculated previously to obtain a weighted population;
- weighting the low income population by the market rent adjustment; and
- calculating a ratio for each State and Australia by dividing each State's (and the Australian) weighted population by its unweighted population.

82. Table 15 shows the results of preliminary calculations comparing States' different needs per capita as a result of their socio-demographic composition and the impact of market rents.

**Table 15** COMPARISON OF HOUSING DISABILITIES PER CAPITA BASED ON SOCIO-DEMOGRAPHIC COMPOSITION

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Socio-demographic composition	0.99305	0.88873	1.06154	1.14277	0.98394	0.90332	0.89903	4.03989	1.00000

83. **Reality check.** Table 16 shows the distribution of population sub-groups across States as derived from the Census special data request used for this assessment. The final socio-demographic factor reflects these population distributions, with the additional influence of market rents.

**Table 16** DISTRIBUTION OF POPULATION SUB-GROUPS (PER CENT)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Indigenous population	29.3	6.1	27.5	14.3	5.7	3.8	0.9	12.4	100.0
Income less than \$20 799	32.6	25.0	20.0	9.8	8.2	2.7	1.2	0.6	100.0
Population in major cities	36.3	27.4	15.1	10.3	8.4	0.0	2.5	0.0	100.0
Population in regional areas	30.3	20.8	26.7	6.7	6.0	7.6	0.0	1.8	100.0
Population in remote areas	8.7	1.1	29.0	29.9	11.5	2.1	0.01	17.6	100.0
Total population	33.6	24.6	19.1	9.8	7.8	2.4	1.6	1.1	100.0

Source: Census, Special data request.

84. The larger remote and Indigenous populations of the Northern Territory leads to a high factor. In States such as Queensland and Western Australia, with comparable proportions of low income and Indigenous populations, the larger remote and major city populations result in a higher factor. The low factors in Victoria and the ACT reflect a small or non-existent remote population and a small Indigenous population.

85. Table 17 shows rental costs per week in the capital cities in each State. State-wide data were not available and it should be noted that regional rental costs also influence the market rent adjustment. While it might be expected that Melbourne would have high market rents, in 2001 it had rents more comparable to Brisbane than to Sydney, Canberra or Darwin. Data show that major cities in New South Wales, which have high market rents, have a similar proportion of their population in the low income bracket (35.2 per cent) to cities with lower market rents, such as Victoria (36.8 per cent)<sup>12</sup>. Canberra has a relatively low proportion of its population in the low income bracket (29.5 per cent) and has lower market rents than major cities in New South Wales.

**Table 17** MEDIAN MARKET RENTS, PRIVATE HOUSING MARKET, BY CAPITAL CITY, JUNE QUARTER 2001 (DOLLARS PER WEEK)

	Sydney	Melbourne	Brisbane	Perth	Adelaide	Hobart	Canberra	Darwin
3 bedroom houses	235	195	190	162	185	160	230	240
2 bedroom flats/units	265	185	175	133	130	125	195	180

Source: Productivity Commission, *Report on Government Services 2002*, Table 16A.51.

86. **Updateability.** The unadjusted socio-demographic composition factor will not be updated because the use rates and the population figures are taken from the 2001 Census. The market rent adjustment can be updated each year using Productivity Commission data, which would take account of shifts between the States in levels of housing affordability.

#### ***Input costs — public housing — management component***

87. The input costs factor was assessed to recognise differences between States in per capita costs of labour, office accommodation and electricity. A separate factor was calculated for each of those inputs. For the scale-affected costs component, those factors were applied to the following proportions of standard expenses:

- (iv) wages and salaries                      80 per cent;
- (v) accommodation                              2 per cent; and
- (vi) electricity                                    1 per cent.

88. **2004 Review.** *Discussion Paper CGC 2003/04 Input Costs* sets out the issues raised by the States regarding the assessment of wages and salaries costs. The paper sets out the Commission's proposals for the general method of assessment to be adopted for the 2004 Review. *Draft Assessment Paper CGC 2003/79 Input Costs — Electricity and Accommodation* sets out the issues raised by the States regarding the assessment of input costs relating to accommodation and electricity. The paper sets out the Commission's

<sup>12</sup> Special data request, Census 2001.

decisions on the general method of assessment to be adopted for the 2004 Review and on the size of the standard expense proportions in each category for accommodation costs and electricity costs. The States did not raise issues specific to this category.

89. The Commission considered that the prices of labour, accommodation and electricity used in providing housing services differ across States for reasons beyond the control of individual States. It has therefore decided that input costs will be assessed for this component.

90. The input costs factors for the fixed costs component of this category, shown in Table 18, have been calculated according to the 2004 Review general methods. The standard expense proportions applied were 20 per cent for wages and salaries, 2 per cent for accommodation and 1 per cent for electricity.

**Table 18** INPUT COSTS FACTOR — PUBLIC HOUSING — MANAGEMENT COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	1.00869	0.99601	0.99445	0.99745	0.99319	0.97438	1.00129	1.04616
1998-1999	1.00914	0.99627	0.99397	0.99658	0.99271	0.97377	1.00236	1.04501
1999-2000	1.00984	0.99605	0.99325	0.99708	0.99182	0.97210	1.00345	1.04384
2000-01	1.00998	0.99640	0.99278	0.99707	0.99152	0.97139	1.00326	1.04317
2001-02	1.00972	0.99668	0.99246	0.99734	0.99251	0.97132	1.00251	1.04230

91. The factors will be updated annually. The proportions represented by wages and salaries, accommodation and electricity will not be re-examined until the next review.

92. The input cost disabilities shown in Table 18 were also applied in the public housing — maintenance component of this category.

### ***Dispersion factor***

93. **1999 Review.** The dispersion factor was assessed to account for differences in per capita costs of providing services arising from differences between States in the spread of their population. The factor reflects the effects of population dispersion on State expenses associated with telecommunication, freight, travel and staffing on-costs.

94. There were seven indexes within the dispersion factor, each reflecting the effect of interstate differences in population dispersion on a separate type of dispersion-affected cost. Each index was weighted by the proportion of standard expenses affected by each type of dispersion-affected cost. They were combined to form the overall dispersion factor. The proportions of standard expenses estimated for this component are in Table 19.

**Table 19** COST WEIGHTS FOR DISPERSION, 1999 REVIEW

Telephone	Freight	Air Travel	Road Travel		Remote Removals	Locality Allowances
			Inter Regional	Local		
0.00696	0.00000	0.00143	0.00550	0.00825	0.00100	0.00300

Source: 2003 Update Working Papers, Volume 4, p 433.

95. **2004 Review.** *Draft Assessment Paper CGC 2003/63 Dispersion* discusses the issues raised by the States regarding the assessment of the dispersion factor. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and on the size of the standard expense proportions estimated for each of the nine elements of dispersion-affected expenses. The States did not raise issues specific to this category.

96. The Commission noted that the expenses incurred in providing public housing management include costs that are affected by population dispersal. It has therefore decided that a dispersion disability will be assessed.

97. The dispersion factors for the public housing — management component have been calculated according to the 2004 Review general method. There were nine indexes within the dispersion factor for the 2004 Review. Table 20 shows the proportions of standard expenses estimated for each of the nine elements of dispersion affected expenses for this component.

**Table 20** COST WEIGHTS FOR DISPERSION, PUBLIC HOUSING — MANAGEMENT COMPONENT, 2001

Telecommunications		Freight	Air Travel	Road Travel		Building Maintenance	Remote Removals	Locality Allowances
Voice	Broadband			Inter Regional	Local			
0.001	0.000	0.000	0.020	0.010	0.000	0.000	0.000	0.160

98. Table 21 shows the dispersion factors assessed for this component for the 2004 Review.

**Table 21** DISPERSION FACTORS — PUBLIC HOUSING — MANAGEMENT COMPONENT<sup>(a)</sup>

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997	0.99983	0.99946	1.00047	1.00101	0.99948	0.99945	0.99791	1.00988
1998	0.99983	0.99945	1.00046	1.00101	0.99948	0.99945	0.99790	1.00988
1999	0.99983	0.99945	1.00046	1.00101	0.99947	0.99945	0.99790	1.00987
2000	0.99983	0.99945	1.00046	1.00100	0.99947	0.99945	0.99790	1.00987
2001	0.99983	0.99945	1.00046	1.00100	0.99947	0.99945	0.99790	1.00987
2002	0.99983	0.99945	1.00046	1.00100	0.99947	0.99944	0.99790	1.00987

(a) The factor is re-based to the mean resident population each year.

99. Neither the factor nor the dispersion costs weights will be updated before the next Review.

### PUBLIC HOUSING — MAINTENANCE

100. This component comprises expenditure on building maintenance and provisions for depreciation. The number of public housing dwellings needed to accommodate those eligible for public housing, the effect of different population groups on the condition of the buildings and building costs are the main drivers of expenses in this component.

101. The Commission proposed, in its November 2001 Discussion Paper on Scope and Structure (CGC 2001/12), that housing depreciation costs be included in the Housing category and not the Depreciation category. This was because housing, unlike many other areas of government activity, recovered a high proportion of its costs.

#### *Building maintenance factor*

102. **1999 Review.** A building maintenance factor was included in the Housing assessment for the 1999 Review. The factor was based on Rawlinson's Index.

103. **Preliminary State views.** States raised the following issues:

- (i) the Rawlinson's Index was not specifically a measure of building maintenance costs;
- (ii) the index needed to be supplemented by others such as Cordell's Housing Cost Guide and Cordell's Building Information Services to reduce fluctuations; and

- (iii) the broad Rawlinson’s Building Index understated the costs of small-scale dwellings.

104. **Staff proposals.** Discussion Paper CGC 2002/33 noted problems associated with the data on which the factor was based in the 1999 Review. The factor was based on the construction costs factor used in the Depreciation category. The paper proposed assessing building maintenance costs in the same way as they would be in the Depreciation category.

105. **Further State views.** South Australia said that a building maintenance factor and a physical environment factor should not both be assessed. There was further criticism of the use of Rawlinson’s Index for the building maintenance factor by Tasmania, the ACT and the Northern Territory.

106. **Commission decision.** The Commission accepts that there is a conceptual case that building maintenance costs vary across States with differences in the costs of construction. The Commission has decided that using the Rawlinson’s Index as the basis for a construction cost factor is not appropriate. The reasons for this were set out in *Draft Assessment Paper CGC 2003/58 Depreciation*. Instead, the Commission proposes using dispersion and input costs factors.

107. Consistent with the Depreciation category, we propose to include these factors in the public housing — maintenance component. We think the inclusion of dispersion and input costs, in addition to the physical environment factor (discussed below), is a more reliable means of addressing costs associated with building maintenance. Table 22 summarises Commission decisions regarding the building maintenance factor.

**Table 22** COMMISSION DECISIONS — BUILDING MAINTENANCE FACTOR: PUBLIC HOUSING — MAINTENANCE COMPONENT

Decision	Reason
To assess building maintenance using input costs and dispersion.	Building maintenance costs vary across States with population dispersion and input costs. There is a strong conceptual case that the Rawlinson’s Index is a flawed basis for such a factor. This approach is consistent with the Depreciation category.

**Physical environment factor**

108. **1999 Review.** The physical environment factor was introduced in the 1999 Review based on the assumption that public housing costs in remote areas, excluding the effects of Indigeneity, dispersion and material costs, were about 50 per cent higher than in other regions. In the absence of information that could be reliably used to estimate the State housing stock in remote areas on a policy neutral basis, the number of Indigenous persons living in remote areas was used as a proxy.

109. **Preliminary State views.** States raised the following issues regarding the factor:

- (i) it did not reflect what it purported to and there was double counting with other factors, particularly isolation and Indigeneity;
- (ii) there was concern about using the number of Indigenous people in remote areas as a proxy for the number of public housing renters in these areas;
- (iii) the factor produced ‘bizarre results’ and should be discontinued; and
- (iv) harsh environmental impacts were not restricted to remote areas.

110. **Staff proposals.** Staff had similar concerns. Discussion Paper CGC 2002/33 noted that the effects of the physical environment on assets would be reviewed for the Depreciation category. The paper proposed that similarities between the Housing and the Depreciation categories in the cost impact of the physical environment on buildings meant that the method of assessment should be similar.

111. **Further State views.** Most States, in particular South Australia, urged caution in any assessment of the physical environment factor. The States referred to their views provided on the physical environment factor proposed for the Depreciation category.

112. The Northern Territory was concerned that relative needs associated with depreciation of housing might not be assessed.

113. **Analysis.** Including the physical environment factor that is used in the Depreciation assessment would make the assessment of depreciation in the Housing category consistent with the general Depreciation assessment.

114. **Commission decision.** The Commission accepts that there is a conceptual case for the inclusion of a physical environment factor. As the physical environment can be expected to affect the asset life of houses in the same way as other buildings the factor should be consistent with that used in the Depreciation category. Draft Assessment Paper 2003/58 discusses the evidence and data supporting the impact of the physical environment on buildings.

115. Table 23 shows Commission proposals regarding the physical environment factor for the public housing — maintenance component. They mean that, in housing, depreciation and other maintenance needs would be recognised through physical environment, socio-demographic composition, input costs and dispersion factors. The assessment of depreciation in housing would be consistent with the general Depreciation assessment.

**Table 23** COMMISSION DECISION — PHYSICAL ENVIRONMENT FACTOR — PUBLIC HOUSING — MAINTENANCE COMPONENT

Decision	Reason
To include the physical environment factor as developed in the Depreciation category.	There is a conceptual case that the physical environment affects the asset life of houses. A factor to recognise the impact of the physical environment on buildings has been developed for the Depreciation assessment. This provides an appropriate measure for housing as well.

116. **Proposed method.** Details of the calculation of this factor are in the *Draft Assessment Paper CGC 2003/58 Depreciation*. Table 24 shows the physical environment factors.

**Table 24** PHYSICAL ENVIRONMENT FACTORS — PUBLIC HOUSING — MAINTENANCE COMPONENT, 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Factors	0.97854	1.05579	0.97512	1.01573	0.97799	0.95081	0.98996	0.96026	1.00000

### ***Socio-demographic composition***

117. **1999 Review.** There was no separate socio-demographic composition factor for housing maintenance in the 1999 Review assessment.

118. **Preliminary State views.** The Northern Territory submitted that dwellings occupied by Indigenous tenants cost more to maintain. The ACT said that houses occupied by young people cost more to maintain.

119. **Staff proposals.** Discussion Paper CGC 2002/33 proposed including this factor, which would measure the need for maintenance of a standardised number of dwellings. It proposed that the units of service be the standardised number of dwellings, derived from tenant data used to calculate the socio-demographic composition factor for the public housing — management component.

120. **Further State views.** The Northern Territory asked that the socio-demographic composition factor include a weight for the additional costs of ‘invisible’ Indigenous overcrowding and damage. It proposed that this weight should be 2.25. Western Australia reiterated that Indigenous tenants cost 1.34 times more in maintenance than non-Indigenous tenants (after adjusting for overcrowding).

121. The ACT argued that extra maintenance costs were associated with providing housing to youth because of a greater incidence of property damage. New South Wales submitted that weights should be included for the higher costs incurred by CALD

clients and clients with physical and mental disabilities. New South Wales noted that data on the use of public housing by these population sub-groups were not presently available.

122. Western Australia, Tasmania and the Northern Territory observed that the Census undercounts public housing, in particular Indigenous tenants. The Northern Territory nevertheless said that the Census was the most comprehensive, recent and accurate source of data. Victoria supported the use of Census data because they are free from policy influence.

123. *Analysis.* Staff used Census data on the distribution of public housing dwellings to examine the levels of public housing use. Staff investigated the degree to which the Census undercounted the number of public housing dwellings. ABS research in New South Wales indicated that the Census undercounted all types of housing. Public housing, however, was undercounted 4 per cent more than housing in general<sup>13</sup>. There were no data on the degree of the relative undercount in other States or if certain population sub-groups were more likely to give rise to an undercount. Given this lack of data, we consider that unadjusted Census data remain the best measure available. This accords with the Commission's general principle that it would not change Census data.

124. There was a conceptual basis for including use weights for location, income, Indigeneity, NESB and age. Analysis of Census data established that the proportion of public housing dwellings consistently varied across Australia according to region. It also showed that household income and Indigeneity were consistent factors influencing the likelihood that a dwelling was a public housing dwelling. We concluded that the Australian standard provision of public housing dwellings should be calculated for the variables of household income, Indigeneity and location classified by ARIA region.

125. As was the case for the management component, dwellings data did not show that dwellings occupied by NESB persons<sup>14</sup> had a consistently higher propensity to be public housing dwellings (see paragraph 60).

126. Attachment B shows provision levels derived from Census data of public housing by income and region. These weights were derived by calculating the proportion of dwellings that were public housing dwellings by region and occupied by different income groups.

127. The conceptual case that a market rent adjustment should be included in the public housing — management component is also applicable to this component. That is, high market rents mean that there is a requirement for a larger number of public housing dwellings (for more detailed discussion of this issue see paragraph 65). Thus, more maintenance and depreciation expenses would be incurred.

128. CSHA data provide some information on cost per dwelling provided under the Aboriginal Rental Housing Program (ARHP). Table 25 shows that the cost per ARHP dwelling is consistently higher than for public housing in general — 1.4 times that of other

---

<sup>13</sup> See Census 2001: Housing, ABS Census Paper 03/02, p. 30.

<sup>14</sup> Defined as dwellings in which English was not spoken.

public housing on Australian average. This closely correlates with Western Australia's suggested cost weight of 1.34.

**Table 25** DIRECT COST PER DWELLING FOR ARHP, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Public housing: cost per dwelling (\$)	4034	3027	4150	4260	4248	6788	6231	7252	4140
ARHP: cost per dwelling (\$)	9192	4963	5654	4800	4540	2958	...	...	5874

Source: CSHA Data 2001-02.

129. There are no data or other evidence relating to costs associated with providing public housing to population sub-groups such as youth, the elderly, the mentally ill, the disabled and CALD or NESB populations.

130. **Commission decisions.** There is a conceptual case that the provision of public housing dwellings varies by household income, Indigeneity and location. Census data support this case and can be used to measure these differences.

131. There was a conceptual case for including use weights for NESB dwellings, but data did not show that NESB dwellings were more likely to be public housing dwellings consistently across Australia. Higher usage tended to be related to socio-economic status.

132. The Commission accepts the conceptual case that where market rents are higher, then there is a greater need for more public housing dwellings to meet housing needs of low income earners. Data support this case. The Commission will thus include the market rent adjustment in this factor.

133. The Commission accepts that there is a conceptual case that Indigenous dwellings cost more than other dwellings to maintain. The Commission considers that the available data are sufficiently indicative of extra costs for it to include a cost weight of 1.4 for Indigenous dwellings. This cost weight is based on judgement, informed by data from the CSHA and Western Australia.

134. While there may be a conceptual case for the application of cost weights for other population sub-groups, there is a lack of data or other evidence relating to costs associated with providing public housing to population sub-groups such as youth, the elderly, the mentally ill, the disabled and CALD or NESB populations.

135. Table 26 shows Commission proposals regarding the socio-demographic composition factor for the public housing — maintenance component.

**Table 26** COMMISSION DECISIONS — SOCIO-DEMOGRAPHIC FACTOR — PUBLIC HOUSING — MAINTENANCE COMPONENT

Decision	Reason
To calculate use rates according to income groups, Indigeneity and ARIA region.	<p>There is a conceptual case and data supporting the calculation of use rates calculated on the basis of location, Indigeneity and income.</p> <p>While there was a conceptual case for including use weights for the NESB population, data did not show that the NESB population used public housing at a consistently higher rate across Australia. Higher usage tended to be related to socio-economic status and Indigeneity.</p>
To include a cost weight of 1.4 for dwellings in remote areas occupied by Indigenous people.	<p>There is a conceptual case that Indigenous dwellings cost more than other dwellings to maintain. Available data are sufficiently indicative of extra costs to include a cost weight of 1.4 for Indigenous dwellings.</p> <p>While there may be a conceptual case for the application of cost weights for other population sub-groups, there is a lack of data or other evidence relating to costs associated with providing public housing to population sub-groups such as youth, the elderly, the mentally ill, the disabled and the NESB population.</p>
To include a market rent adjustment.	<p>Where market rents are higher there is a greater likelihood that the low income population will require more public housing assistance. Data showing diverse market rents across Australia support this case. Data are available from which an adjustment can be derived.</p>

136. ***Proposed method and results.*** The component is calculated by:

- (i) Obtaining a cross-tabulation of 2001 Census dwellings data which includes public housing dwellings by ARIA location, household income and Indigeneity.
- (ii) Calculating for Australia the proportion of dwellings that are public housing by location and household income to obtain a weight for each type of dwelling that represents the likelihood that it is a public housing dwelling.
- (iii) Multiplying the dwellings types in each State by the corresponding national weight calculated in (ii) to obtain a weighted number of dwellings.
- (iv) Weighting the low income households by the market rent adjustment.
- (v) Weighting the remote Indigenous population by 1.4.

- (vi) Calculating a ratio for each State and Australia by dividing each State's (and the Australian) weighted dwelling numbers by its unweighted population.

137. Table 27 shows the results of preliminary calculations comparing States' different needs as a result of their socio-demographic composition.

**Table 27** SOCIO-DEMOGRAPHIC COMPOSITION FACTORS — PUBLIC HOUSING — MAINTENANCE, 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Factors	0.98537	0.90118	1.02539	1.09511	1.06179	1.12167	0.81129	2.76039	1.00000

138. **Reality check.** Relative needs as a result of the socio-demographic factor appropriately reflect that houses are more likely to be public housing dwellings in remote areas and in areas where household incomes are lower.

139. Table 28 divides the weighted population used for the socio-demographic composition factor for the public housing — management component by the weighted dwellings for that for the public housing — maintenance component. This allows us to judge the congruity of the two factors. The number of persons per household is consistent across most States. The high figure for the Northern Territory is consistent with data that show higher numbers of persons per dwelling in the Territory<sup>15</sup>.

**Table 28** PERSONS PER DWELLING USING WEIGHTED POPULATIONS AND WEIGHTED DWELLING NUMBERS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Persons per dwelling	2.3	2.2	2.3	2.3	1.9	1.7	2.5	3.8	2.2

140. **Updateability.** The socio-demographic composition factor will not be updateable between Censuses. The market rent adjustment can be updated each year using Productivity Commission data, which would take account of shifts between the States in levels of housing affordability.

<sup>15</sup> This is most likely a result of two factors. The first is overcrowding in remote Indigenous households and the second is the possibility that Indigenous people in remote areas may have been counted at more than one dwelling (see ABS seminar, Commission meeting, 21 May 2002).

***Input costs — public housing — maintenance component***

141. **1999 Review.** In the 1999 Review, the input costs factors assessed for the service delivery component of this category were the same as those for the public housing — management component.

142. **2004 Review.** The Commission considered that approach remains appropriate for the 2004 Review because the proportion of standard expenses affected by input cost factors in the public housing — management component and public housing — maintenance components are likely to be similar. The input costs factors shown in Table 18 have also been applied in the public housing — maintenance component.

***Dispersion factor***

143. **1999 Review.** The dispersion factor was assessed to account for differences in per capita costs of providing services arising from differences between States in the spread of their population. The factor reflects the effects of population dispersion on State expenses associated with telecommunication, freight, travel and staffing on-costs.

144. There were seven indexes within the dispersion factor, each reflecting the effect of interstate differences in population dispersion on a separate type of dispersion-affected cost. Each index was weighted by the proportion of standard expenses affected by each type of dispersion-affected cost. They were combined to form the overall dispersion factor. The proportions of standard expenses estimated for this component are in Table 29.

**Table 29** COST WEIGHTS FOR DISPERSION, 1999 REVIEW

Telephone	Freight	Air Travel	Road Travel		Remote Removals	Locality Allowances
			Inter Regional	Local		
0.00696	0.00000	0.00143	0.00550	0.00825	0.00100	0.00300

Source: 2003 Update Working Papers, Volume 4, p 433.

145. **2004 Review.** *Draft Assessment Paper CGC 2003/63 Dispersion* discusses the issues raised by the States regarding the assessment of the dispersion factor. The paper sets out the Commission’s decisions on the general method of assessment adopted for the 2004 Review and on the size of the standard expense proportions estimated for each of the nine elements of dispersion-affected expenses. The States did not raise issues specific to this category.

146. The Commission noted that the expenses incurred in providing public housing maintenance include costs that are affected by population dispersal. It has therefore decided that a dispersion disability will be assessed.

147. The dispersion factors for the public housing — maintenance component have been calculated according to the 2004 Review general method. There were nine indexes within the dispersion factor for the 2004 Review. Table 30 shows the proportions

of standard expenses estimated for each of the nine elements of dispersion affected expenses for this component.

**Table 30** COST WEIGHTS FOR DISPERSION, PUBLIC HOUSING — MAINTENANCE COMPONENT

Telecommunications		Air Travel	Road Travel		Building Maintenance	Remote Removals	Locality Allowances
Voice	Broadband		Inter Regional	Local			
0.0017	0.0002	0.0000	0.0004	0.0007	0.0012	0.0092	0.0005

148. Table 31 shows the dispersion factors assessed for this component for the 2004 Review.

**Table 31** DISPERSION FACTORS — PUBLIC HOUSING — MAINTENANCE COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997	0.99276	0.99083	1.00468	1.02164	1.00296	0.99666	0.98789	1.18332
1998	0.99272	0.99079	1.00464	1.02160	1.00292	0.99662	0.98785	1.18327
1999	0.99269	0.99076	1.00461	1.02157	1.00289	0.99659	0.98782	1.18324
2000	0.99268	0.99074	1.00460	1.02155	1.00287	0.99658	0.98781	1.18322
2001	0.99267	0.99073	1.00459	1.02155	1.00286	0.99657	0.98780	1.18321
2002	0.99267	0.99074	1.00459	1.02155	1.00287	0.99657	0.98780	1.18321

149. Neither the factor nor the dispersion costs weights will be updated before the next Review.

### PRIVATE RENTAL AND HOME PURCHASE ASSISTANCE

150. This component comprises expenses on the provision of assistance to private renters and support for private housing purchase. Assistance to private renters includes assistance with relocation expenses, rental grants and subsidies and assistance with rental bonds. Support for private housing purchase includes direct lending, deposit assistance, interest rate assistance, mortgage relief and purchase advice and counselling.

151. The Commission proposes to assess a socio-demographic composition factor in this component.

### ***Socio-demographic composition factor***

152. ***1999 Review.*** In the 1999 Review, the element of the socio-demographic composition factor that referred to private rental assistance was the number of private renters.

153. ***Preliminary State views.*** Issues surrounding private rental housing assistance raised by States included:

- (i) Commonwealth Rent Assistance (CRA) was not sufficient to compensate for higher rents in major cities, implying a potentially greater demand for State government assistance; and
- (ii) the numbers of private renters swamped the impact of public renters in the 1999 Review socio-demographic composition factor and the calculation did not take proper account of the relative importance in State budgets of rental assistance compared with the cost of provision of public housing.

154. ***Staff proposals.*** In Discussion Paper CGC 2002/33 staff proposed that needs relating to private rental assistance be assessed in a separate component because the cost of providing private rental assistance was much lower than providing public housing. It was also proposed that the socio-demographic composition factor be based on a measure of the numbers of people who fell below an affordability threshold (for example, people paying more than 25 per cent of income in rent). The object was to devise a policy neutral measure of the relative demand for State provided housing assistance, allowing that States have choices in how they respond to that demand.

155. ***Further State views.*** Most discussion centred around how differences in market rent affected affordability and how it should be taken into account.

156. Queensland asked that the target population for this component be the population requiring housing assistance not captured by other components, such as those not receiving the pension and not in public housing. The Northern Territory said that it should measure the number of people who currently could not afford any housing, such as the homeless and the Indigenous population.

157. South Australia said that the component should relate only to private rental assistance. Victoria suggested that private rental assistance be placed within the public housing — management component because States do not usually provide ongoing assistance. Victoria also said that the socio-demographic factor should include a separate assessment for the need for home purchase assistance based on the number of households in the lowest two income quintiles with a mortgage. Western Australia said the assessment should reflect its large home purchase assistance program.

158. ***Analysis.*** Services for the population are assessed in the Homeless and General Welfare category (*Draft Assessment Paper CGC 2003/33 Homeless and General Welfare*).

159. The target population for this component differs from that of public housing: those in public housing do not receive private rental or home purchase assistance. Private rental programs and home purchase programs are aimed at providing assistance to low income private renters. States can address the needs of this population through either program.

160. We agree with the States that the measure of use of private rental and home purchase assistance must be carefully chosen. The 1999 AHS shows that 85.1 per cent of State Housing households are in the lowest two gross weekly income quintiles<sup>16</sup>. New South Wales, the State in which a more expensive housing market might be thought to lead to higher numbers of households in the third income quintile using public housing, has 84.4 per cent of its public housing households in the lowest two weekly income quintiles<sup>17</sup>.

161. The above figures support using the number of low income earners in private rental accommodation that pay more than 25 per cent of income in rent as a measure of the States' need to provide assistance to low income earners not in public housing. This corresponds with nation-wide CSHA policy that public housing tenants pay no more than 25 per cent of their income in rent<sup>18</sup>.

162. Household income must be used as the basis for this calculation because Census rental data are based on household units. Consistent with the low household income bracket used across the Commission's assessments, the income bracket proposed is \$31 199 per annum per household.

163. Table 32 shows the proportion of private rental households earning less than \$31 199 and paying more than 25 per cent in rent according to 2001 Census data. Each State's figures reflect policy influences. A low number of such renters may simply reflect a large public housing program. Consequently, to calculate the number of target households in each State, we will apply the average Australian proportion of low income households paying more than 25 per cent in rent to the number of low income households in each State<sup>19</sup>.

---

<sup>16</sup> *Australian Housing Survey, 1999*, ABS 4182.0, Table 1.

<sup>17</sup> *Australian Housing Survey, New South Wales, 1999*, ABS 4182.1.40.001, Table 1.

<sup>18</sup> We would prefer that the affordability measure of people paying more than 25 per cent of income in rent was also used in our market rent adjustment based on CRA data. However, the data are only available using the measure of 30 per cent of income paid in rent.

<sup>19</sup> In *Discussion Paper CGC 2002/33 Housing* staff suggested that the numbers of people requiring State private rent assistance be adjusted according to the numbers of people in public housing. However, private rental assistance is not a comparable service to public housing because it rarely provides ongoing payments. There is no need to adjust this component for the numbers of people in public housing.

**Table 32** LOW INCOME PRIVATE RENTAL HOUSEHOLDS PAYING MORE THAN 25 PER CENT OF INCOME IN RENT AS A PROPORTION OF LOW INCOME HOUSEHOLDS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Households	33.5	27.3	41.5	30.7	22.0	23.2	24.4	28.0	31.6

Source: Census 2001, Special data request.

164. As discussed in the socio-demographic composition factor for the public housing — management component (see paragraph 65), there is a conceptual case that there is greater demand for housing assistance in areas where market rents are higher. The Commission considers that a market rent adjustment should be applied to the socio-demographic composition factor for the private rental and home purchase assistance component. Australian data on households requiring housing assistance (incorporating low income households in public housing and low income, private rental households paying more than 25 per cent of income in rent) showed that about 25 per cent of these households received private rental and home purchase assistance. A discount of 75 per cent would thus be applied to the market rent adjustment to reflect that, on average, State rental and home purchase assistance provides support to a quarter of people requiring public assistance.

165. **Commission decisions.** The Commission considers that there is a conceptual case that the target population and costs associated with the services falling within this component differ from that of public housing. It thus requires a separate assessment.

166. Given the available data, the best measure of the target population for both private rental and homes purchase assistance is the number of low income renters paying more than 25 per cent of income in rent. This choice of target population reflects current CSHA housing policy. States can address the needs of this population through either program. Current CSHA housing policy and the level of rent paid by low income earners supports this case.

167. The Commission accepts that low income earners' use of private housing assistance is affected by the levels of market rent. Data confirm the variability of market rents across Australia. A market rent adjustment will be included.

168. Table 33 shows the Commission's proposals regarding the assessment of the socio-demographic composition factor for the private rental and home purchase assistance component.

**Table 33** COMMISSION DECISIONS — SOCIO-DEMOGRAPHIC FACTOR — PRIVATE RENTAL AND HOME PURCHASE ASSISTANCE COMPONENT

Decisions	Reason
To use households in private rental accommodation paying more than 25 per cent of income in rent and earning less than \$31 199 per annum as an affordability measure.	There is a conceptual case that the target population for this component differs from that of public housing. The best measure of this target population is low income earners paying more than 25 per cent of income in rent. Current housing policy supports this choice of population.
To include a market rent adjustment.	Where market rents are higher there is a greater likelihood that the low income population will require more public housing assistance. Data showing diverse market rents across Australia support this case. Data are available from which an adjustment can be derived.
To not include low income mortgage holders as a measure of the need for home purchase assistance.	Private rental programs and home purchase programs are both aimed at addressing the needs of low income people not in public housing and thus have the same target population.

169. ***Proposed method and results.*** The component is calculated by:

- (i) Obtaining the number of private rental households earning less than \$31 199 per annum and paying more than 25 per cent of income in rent by State.
- (ii) Calculating the proportion of low income households that are paying more than 25 per cent of income in rent across Australia.
- (iii) Multiplying each State's low income households numbers by the Australian average proportion of low income households that are paying more than 25 per cent of income in rent.
- (iv) Multiplying the result by the market rent adjustment to obtain a weighted number of households for each State.
- (vii) Calculating a ratio for each State and Australia by dividing each State's (and the Australian) weighted number of dwellings by its unweighted population.

170. Table 34 shows the results of preliminary calculations of the socio-demographic composition factors illustrating States' different needs for the private rental and home purchase assistance component.

**Table 34** SOCIO-DEMOGRAPHIC COMPOSITION FACTOR — PRIVATE RENTAL AND HOME PURCHASE ASSISTANCE

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Needs per capita	1.00606	0.95900	0.98074	0.94756	1.21527	1.12449	0.73685	0.65102	1.00000

171. **Reality check.** The factors reflect the interaction of the distribution of low income households across the States and the impact that higher market rents have on the affordability of private rental housing for low income households. Table 35 shows the proportion of low income households in each State and Australia. The low factors for the ACT and the Northern Territory reflect the low proportion of low income households in the State.

**Table 35** PROPORTION OF LOW INCOME HOUSEHOLDS BY STATE

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Households with income less than \$31 199	35.8	35.8	39.5	37.2	43.3	47.4	22.4	27.2	37.3

Source: Special data request, 2001 Census

172. **Updateability.** The socio-demographic composition factor will not be updateable between Censuses. The market rent adjustment will be updateable each year using Productivity Commission data.

## ISOLATION

173. The isolation component relates to costs incurred because of the distances of some States from other State capitals and sources of supply. Isolation disabilities are considered to affect most State functions.

174. **1999 Review.** The isolation factor was assessed to account for differences in per capita costs of service provision for some States because of their economic and geographical isolation from the main interstate sources of supply in South Eastern Australia. It reflected the combined effect of isolation on labour-related costs, interstate freight costs, professional infrastructure costs, commercial goods costs, airfares, travel allowances and other travel-related subsidies. The isolation component represented 0.24 per cent of expenses in this category.

175. **2004 Review.** *Draft Assessment Paper CGC 2003/65 Isolation* discusses the issues raised by the States regarding the assessment of isolation. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and on the size of the isolation component for relevant categories. The States did not raise issues specific to this category.

176. The isolation factors for the isolation component, shown in Table 36, have been calculated according to the 2004 Review general method. Isolation-affected expenses for this category have been estimated to be 0.04 per cent of the category standard.

**Table 36** ISOLATION FACTORS — ISOLATION COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1996	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
1997	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
1998	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
1999	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
2000	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
2001	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218

#### NATIVE TITLE

177. **1999 Review.** Native title factors were assessed to allow for the additional costs incurred by the States arising from the operation of the Commonwealth *Native Title Act 1993*.

178. **2004 Review.** *Draft Assessment Paper CGC 2003/70 Native Title Assessment* discusses the issues raised by the States regarding the assessment of this factor. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and the categories in which the factor has been assessed.

179. Native title-affected expenses for this category in 2001-02 have been estimated to be \$0.5 million, which represents 0.017 per cent of the category standard. Table 37 shows the 2004 Review calculation of the factor for 2001-02 implied by those expenses.

180. The factors and the component weight determined by the expense proportion will be updated annually.

**Table 37** NATIVE TITLE FACTORS, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Administration expenses - actual	500	2 480	20 206	14 859	6 718	204	204	4 853	50 024
Compensation expenses - actual	765	0	0	34	0	0	0	4 650	5 449
Total expenses	1 265	2480	20 206	14 893	6 718	204	203	9 503	55 473
Factors	0.067300	0.18047	1.94495	2.74309	1.56301	0.15232	0.22312	16.79242	1.00000

### NATIONAL CAPITAL

181. **1999 Review.** In the 1999 Review, the Commission did not assess a national capital allowance for housing. It concluded that there were no grounds for assessing an allowance and that any budget inflexibility should have been addressed via a transitional allowance.

182. **Preliminary State views.** The ACT noted that it had not received any transitional allowance for housing in the years following self-government. It requested a national capital allowance of \$13.0 million per annum, equal to the unfunded maintenance liability predicated on the:

- (i) age, type of construction and condition of the housing stock it inherited from the Commonwealth;
- (ii) high value of debt it inherited and the cost of servicing that debt;
- (iii) unfunded liability inherited for future maintenance obligations; and
- (iv) lack of alternative affordable rental housing that places burden on the public rental housing system.

183. **Staff proposals.** Discussion Paper CGC 2002/33 did not discuss the ACT's argument for a national capital allowance.

184. **Further State views.** The ACT continued its request for an allowance of \$13.0 million for national capital influences.

185. **Analysis.** The size of the ACT's public housing stock is comparable to that of South Australia and the Northern Territory<sup>20</sup>. The ACT rents more public housing dwellings to high income earners who can afford unsubsidised rent than any other State.

<sup>20</sup> CSHA Public Housing Data Collection, 2001-02.

Table 38 shows the proportion of public housing tenants that are rebated across States. The ACT has the lowest proportion of rebated households, mostly by more than 10 percentage points. It thus raises more revenue than other States.

**Table 38** PROPORTION OF REBATED PUBLIC HOUSING TENANTS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Proportion of rebated tenants	89.6	88.9	91.4	93.7	83.8	88.7	75.5	87.9	88.8

Source: CSHA data collection 2000-01.

186. The ACT housing stock has also appreciated over time, allowing the ACT to hold assets greater than the value of the debt<sup>21</sup>. The ACT is not alone in facing the difficulties of managing an historical pattern of public housing stock in the face of current needs, but has some flexibility to do so.

187. **Commission decision.** The Commission does not consider that a conceptual case has been established that the ACT's position in regard to its housing stock imposes additional costs as a result of the ACT being the national capital. It is difficult to see how the ACT's position is different from that of other States, except that, prior to self-government, the Commonwealth made the decisions on the management of the housing stock. Following self-government the ACT inherited housing stock with its associated debt. There was arguably a backlog of unfunded maintenance and the stock did not necessarily match requirements. All States face similar situations, although because the ACT had such a large stock it could be said that it had greater flexibility in its management.

188. The Commission has decided not to assess a national capital allowance, as recorded in Table 39.

**Table 39** COMMISSION DECISIONS — NATIONAL CAPITAL ALLOWANCE

Decision	Reason
To not include a National Capital allowance.	The ACT has not established a case that its position in regard to its housing stock is the result of the ACT being the national capital. It is difficult to see how the ACT's position is different from that of other States, except that, prior to self-government, the Commonwealth made the decisions on the management of the housing stock.

<sup>21</sup> According to the *Housing Assistance Act Annual Report 2001-02*, the ACT held property, plant and equipment assets of \$1 513 million. The ACT has informed the Commission that its total debt balance for housing as at 30 June 1993 was \$280.3 million.

## PROPOSED ASSESSMENT FOR THE 2004 REVIEW — EXPENSES

189. Table 40 summarises the assessment structure for the draft assessment for the 2004 Review.

**Table 40** SUMMARY OF PROPOSED STRUCTURE OF ASSESSMENT

Component	Component weight (%)	Factors	Basis of calculation
Fixed costs	1.74	Input costs	General method, with weights of 80 % for wages, 2 % for accommodation and 1 % for electricity.
		Administrative scale	General method.
Public housing — management	35.77	Socio-demographic composition	Based on use weights derived from Census data according to Indigeneity, location, income and age.
		Input Costs	General method, with weights of 80% for wages, 2% for accommodation and 1% for electricity.
Public housing — maintenance	54.99	Dispersion	General method.
		Socio-demographic composition	Based on use weights derived from Census data according to Indigeneity, location and income. Indigenous households receive a cost weight of 1.4.
		Input costs	General method, with weights of 80% for wages, 2% for accommodation and 1% for electricity.
		Dispersion	General method.
Private rental and home purchase assistance	7.45	Physical Environment	Method as developed in the Depreciation category.
		Socio-demographic composition	Based on the number of low income private renters paying more than 25 per cent of income in rent.
Isolation	0.04	Isolation	General method.
Native title	0.02	Native title	Based on the additional costs incurred by States in the administration of, and compensation claims arising, from the <i>Commonwealth Native Title Act 1993</i> (as amended).

### *Derivation of category factor*

190. Table 41 shows the derivation of the category factor for the Housing category.

**Table 41** HOUSING — DERIVATION OF CATEGORY FACTOR, 2001-02

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Fixed costs (FC) (Component weight = 1.74%)</b>								
Administrative scale factor	0.30238	0.41361	0.54709	1.04686	1.32230	4.24385	6.22335	27.72015
Fixed costs input costs factor	1.03498	0.99044	0.97446	0.98186	0.97135	0.92001	1.01306	1.09897
Component factor	0.30793	0.40308	0.52456	1.01137	1.26378	3.84167	6.20336	29.97432
Cont. to category factor	0.00534	0.00699	0.00910	0.01755	0.02193	0.06665	0.10763	0.52005
<b>Public housing management (PHMG) (Component weight = 35.77%)</b>								
Dispersion factor - public housing management	0.99983	0.99945	1.00046	1.00100	0.99947	0.99944	0.99790	1.00987
Input costs factor	1.00972	0.99668	0.99246	0.99734	0.99251	0.97132	1.00251	1.04230
SDC factor - public housing management	0.99305	0.88873	1.06154	1.14277	0.98394	0.90332	0.89903	4.03989
Component factor	0.97997	0.86537	1.03029	1.11520	0.95409	0.85717	0.87915	4.15500
Cont. to category factor	0.35054	0.30955	0.36855	0.39892	0.34129	0.30662	0.31448	1.48629
<b>Public housing maintenance (PHMT) (Component weight = 54.99%)</b>								
Dispersion factor - public housing maintenance	0.99267	0.99074	1.00459	1.02155	1.00287	0.99657	0.98780	1.18321
Input costs factor	1.00972	0.99668	0.99246	0.99734	0.99251	0.97132	1.00251	1.04230
Physical environment factor	0.97854	1.05579	0.97512	1.01573	0.97799	0.95081	0.98996	0.96026
SDC factor - public housing maintenance	0.98537	0.90118	1.02539	1.09511	1.06179	1.12167	0.81129	2.76039
Component factor	0.95782	0.93102	0.98794	1.12313	1.02431	1.02294	0.78820	3.21918
Cont. to category factor	0.52669	0.51196	0.54326	0.61760	0.56326	0.56251	0.43342	1.77019
<b>Private rental and home purchase assistance (PRIV) (Component weight = 7.45%)</b>								
SDC factor - private rental and home purchase	1.00606	0.95900	0.98074	0.94756	1.21527	1.12449	0.73685	0.65102
Component factor	1.01117	0.96386	0.98572	0.95237	1.22143	1.13020	0.74059	0.65433
Cont. to category factor	0.07528	0.07176	0.07339	0.07090	0.09094	0.08414	0.05514	0.04871
<b>Native title (NT) (Component weight = 0.02%)</b>								
Native title factor	0.06730	0.18047	1.94495	2.74309	1.56301	0.15232	0.22312	16.79242
Component factor	0.06730	0.18047	1.94495	2.74309	1.56301	0.15232	0.22312	16.79242
Cont. to category factor	0.00001	0.00004	0.00039	0.00055	0.00031	0.00003	0.00004	0.00336
<b>Isolation (ISO) (Component weight = 0.04%)</b>								
Isolation factor	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
Component factor	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
Cont. to category factor	0.00002	0.00004	0.00007	0.00030	0.00023	0.00140	0.00061	0.02731
<b>CATEGORY FACTOR</b>	<b>0.95862</b>	<b>0.89970</b>	<b>0.99536</b>	<b>1.10583</b>	<b>1.01742</b>	<b>1.01840</b>	<b>0.90885</b>	<b>3.85108</b>

191. **Calculation formula.** The following formulas were used to calculate the contribution of each expenditure component to the overall category factor. In each case, the contributions are calculated as the expenditure component weight multiplied by the component factor (the bracketed terms in the formulas). Each contribution to category factor was rescaled to ensure that, for each of them, the sum of standardised equals the sum of actual expenditure.

$$\begin{aligned}
 \text{FC} &= 0.0174 (s * \text{fc\_ic}) \\
 \text{PHMG} &= 0.3577 (\text{sdc\_phmg} * (d + \text{ic\_oth} - 1)) \\
 \text{PHMT} &= 0.5499 (\text{sdc\_phmt} * \text{pe} * (d + \text{ic\_oth} - 1)) \\
 \text{PRIV} &= 0.0745 (\text{sdc\_priv}) \\
 \text{NT} &= 0.0002 (\text{nt}) \\
 \text{ISO} &= 0.0004 (\text{iso})
 \end{aligned}$$

$$\text{CATEGORY FACTOR} = \text{FC} + \text{PHMG} + \text{PHMT} + \text{PRIV} + \text{NT} + \text{ISO}$$

192. Table 42 shows the category factors calculated for the Draft Assessment for the 2004 Review compared with the category factors assessed for this category in the 2003 Update

**Table 42** COMPARISON OF CATEGORY FACTORS, 2003 UPDATE AND THE DRAFT ASSESSMENT FOR THE 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update	1.01602	0.79537	1.15317	0.92302	1.10297	1.23201	0.97814	2.06768
Draft Assessment - 2004 Review	0.95862	0.89970	0.99536	1.10583	1.01742	1.01840	0.90885	3.85108

**Standardised expenses**

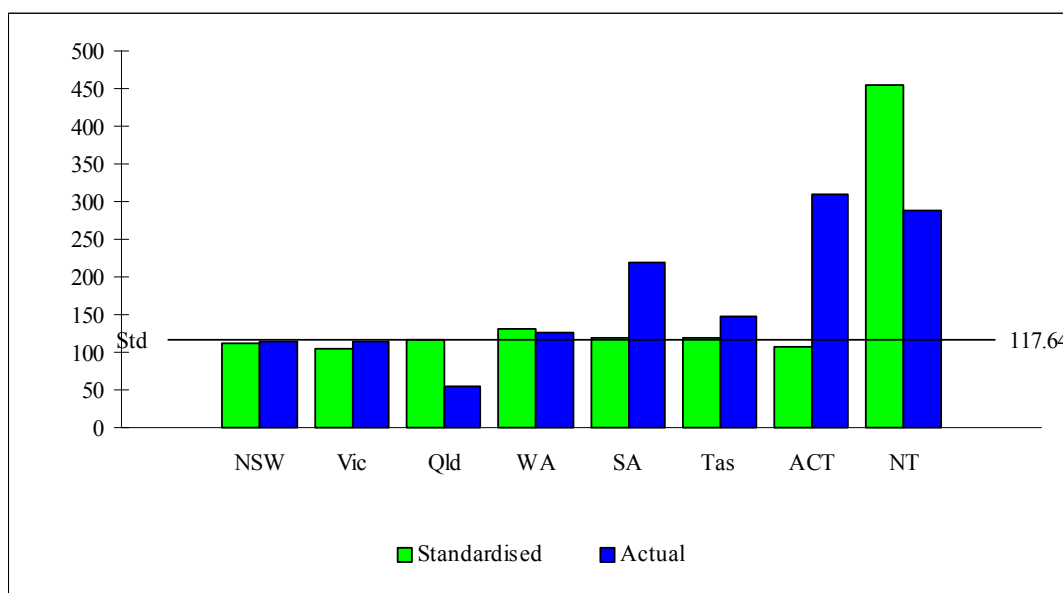
193. Table 43 shows the standardised expenses assessed for this category for 2001-02 in the draft assessment compared with that assessed in the 2003 Update.

**Table 43** ACTUAL AND STANDARDISED AND EXPENSES, 2001-02

	Standard	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Actual Expenses</b>									
\$ per capita	117.64	113.18	114.08	54.23	126.38	218.51	146.78	308.64	288.68
<b>2003 Update - Standardised Expenses</b>									
\$'000		685 691	392 424	430 147	179 929	170 223	59 243	32 074	42 013
\$ per capita	101.62	103.25	80.83	117.19	93.80	112.09	125.20	99.40	210.13
<b>2004 Review Draft Assessment - Standardised Expenses</b>									
\$'000		748 313	514 200	429 511	249 524	181 851	56 851	34 591	90 691
\$ per capita	117.64	112.68	105.91	117.02	130.08	119.75	120.15	107.20	453.59

194. Figure 1 shows the gross expenses per capita for 2001-02 for the 2004 Review in terms of standardised, actual and standard expenses.

**Figure 1** HOUSING — GROSS EXPENSES PER CAPITA — STANDARDISED, ESTIMATED AND STANDARD, 2001-02



***Effect of assessment on grants***

195. Table 44 shows the redistribution of grants resulting from the assessment in the 2003 Update and the new assessment.

**Table 44** EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION — HOUSING

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total <sup>(a)</sup>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Contribution to 2003 Update relativities<sup>(b)</sup></b>	17.0	-116.0	52.7	-12.6	17.3	12.0	0.6	29.0	128.6
<b>Contribution to 2004 Review Draft Assessments relativities<sup>(c)</sup></b>	-40.9	-72.4	-2.1	30.4	3.8	1.3	-4.5	84.4	119.9
<b>Total Change</b>	-57.9	43.6	-54.8	43.0	-13.5	-10.7	-5.1	55.4	142.0

(a) Total redistribution.

(b) Assuming same pool and a constant population.

(c) This figure shows the change in the amount redistributed among the States between the 2003 Update and the 2004 Review Draft Assessment. It does not necessarily equal the difference in the total contributions to the relativities between the two inquiries.

196. Compared with the 2003 Update, the draft assessment redistributed \$142.0 million away from New South Wales, Queensland, South Australia, Tasmania and the ACT to Victoria, Western Australia and the Northern Territory.

197. The main reasons for the change are:

- (i) a revised assessment structure that focuses on the disabilities associated with the provision of public housing rather than on low income private renters;
- (ii) the replacement of the previous building maintenance factor with the combination of input costs and dispersion (consistent with the Depreciation category);
- (iii) a new method for assessing the physical environment factor (developed in the Depreciation category); and
- (iv) the inclusion of depreciation in the category assessment.

## USER CHARGES

198. Housing user charges comprise rents collected for public housing. Interest earnings relating to financial investment activities of housing authorities are offset against Debt Charges. In 2001-02, the Housing User Charges category represented 71.6 per cent of the Housing expenditure category.

199. **1999 Review.** In the 1999 Review, two factors were applied to housing revenue:

- (i) a *tenant income factor* designed to compensate the States for the loss of revenue associated with the Commonwealth-State agreement whereby public housing tenants paid rents up to 25 per cent of their household income or market rent, whichever was the lesser; and
- (ii) a *socio-demographic composition factor* assessed using the same method as that adopted for the socio-demographic composition factor for the Housing expenses category, but excluding the additional weight for Indigeneity.

200. ***Preliminary State views.*** States raised the following issues regarding the tenant income factor:

- (i) if differences in market rents affecting affordability were not to be taken into account in the expenses assessment, then they should be treated under user charges as rent foregone; and
- (ii) using the number of eligible tenants (especially private renters) is an erroneous measure of the capacity to recover public housing costs and should be discontinued.

201. ***Staff proposals.*** Discussion Paper CGC 2002/33 noted that it was hard to find justification for either of the factors in the existing assessment. As South Australia submitted, the 1999 Review method was inappropriate because it placed too much emphasis on the number of tenants, rather than the more appropriate measure of their capacity to pay.

202. The paper proposed that this assessment be based on a single factor using the standardised numbers of renters derived for the socio-demographic composition factor for the public housing — management component, with one adjustment — the renters would be divided between those who are rebated at standard policies and those who pay full rent.

203. ***Further State views.*** New South Wales supported basing this factor on income, provided that the mean tenant income was calculated from the CSHA data collection. The Australian Housing Survey was not a reliable source for this data. Victoria also supported the use of CSHA data.

204. Western Australia said that it was important to measure the revenue capacity of renters in a policy neutral way. The revenue profiles of renters in each State could be used as a measure of their revenue capacity.

205. Tasmania submitted that the revenue disability should be based on the income capacity of the tenant.

206. ***Analysis.*** Rent is charged according to household income. CSHA provides data on rent charged to public housing households as a proportion of market rent. The average proportion of market rent paid is 68 per cent.

207. Not all public housing households are subsidised. High income households pay full rent and States are able to raise more revenue from them.

208. The standardised number of public housing households can be divided into high and low income households, allowing each income group to be weighted according to the level of revenue able to be raised from it. Low income households that receive a rental rebate would be weighted by 0.68 — the average Australian proportion of market rent paid. High income households that are able to pay full market rent would be given a weight of one. Such an approach would measure the revenue capacity of renters across Australia in a policy neutral way.

209. The numbers of low income public housing households are affected by market rent levels and the availability of affordable private rental housing. The market rent adjustment used in the Housing expenditure assessment need to be applied to the low income group (see paragraph 65).

210. Such an approach would accord with New South Wales and Victoria’s proposal that CSHA data be used for user charges. Mean tenant income cannot be used as a measure because it does not differentiate between high income tenants, from whom more revenue can be raised, and low income tenants, from whom less revenue can be raised. Mean tenant income is also susceptible to policy influence because a high mean tenant income may simply reflect the fact that more public housing is being rented to high income earners.

211. **Commission decision.** The Commission accepts that there is a conceptual case that States have less ability to raise revenue from the low income population. There is data showing the degree to which the low income population in public housing is subsidised. The Commission thus proposes to weight the low income and high income populations according to their capacity to be a source of revenue.

212. The Commission accepts the conceptual case that low income earners’ use of private housing assistance is affected by the levels of market rent. Data confirm the variability of market rents across Australia. A market rent adjustment will be included (see paragraph 65).

213. Table 45 shows Commission proposals regarding the assessment of user charges.

**Table 45** COMMISSION DECISIONS — REVENUE BASE, 2004 REVIEW

Decision	Reason
The factor will be based on socio-demographic composition and household income. Weights will be used to reflect the capacity to raise revenue from different income groups.	States have less capacity to raise revenue from the low income population. There are data showing the degree to which the low income population in public housing is subsidised.
To include a market rent adjustment.	Where market rents are higher there is a greater likelihood that the low income population will require more public housing assistance. Data showing diverse market rents across Australia support this case. Data are available from which an adjustment can be derived.

214. **Proposed method and results.** The revenue base for housing user charges is calculated by:

- (i) Obtaining a cross-tabulation of 2001 Census dwellings data which includes public housing dwellings by ARIA location, Indigeneity and household income.
- (ii) Calculating for Australia the proportion of dwellings that are public housing by location, Indigeneity and households income to obtain a weight for each type of dwelling that represents the likelihood that it is a public housing dwelling.
- (iii) Multiplying the dwellings types in each State by the corresponding national weight calculated in (ii) to obtain a weighted number of dwellings.
- (iv) Weighting the low income households by the market rent adjustment.
- (v) Weighting the low income households by 0.68 to reflect the proportion of market rent paid by these households.
- (vi) Calculating a ratio for each State and Australia by dividing each State's (and the Australian) weighted dwelling numbers by its unweighted population.

215. Table 46 shows the results of preliminary calculations comparing States' capacity per capita to raise revenue.

**Table 46** RELATIVE CAPACITY TO RAISE REVENUE THROUGH USER CHARGES, 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Capacity to raise revenue per capita	0.99240	0.91019	1.02294	1.07969	1.05038	1.11729	0.85389	2.47390	1.00000

216. **Reality check.** This method uses a data source comparable to that used to develop the socio-demographic composition factor for the public housing — maintenance component. Table 47 compares the user charges revenue raising capacity with the socio-demographic composition factor for public housing — maintenance.

**Table 47** COMPARISON OF USER CHARGES REVENUE RAISING CAPACITY WITH PUBLIC HOUSING — MAINTENANCE: SOCIO-DEMOGRAPHIC COMPOSITION FACTOR, 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
User charges factor	0.99240	0.91019	1.02294	1.07969	1.05038	1.11729	0.85389	2.47390	1.00000
Public housing — maintenance: socio- demographic composition	0.98537	0.90118	1.02539	1.09511	1.06179	1.12167	0.81129	2.76039	1.00000

217. **Updateability.** The revenue raising capacity will not be updated between Censuses. The market rent adjustment will be updated each year using Productivity Commission data. The weight representing the capacity of the low income population to be a source of revenue will also be updateable each year using CSHA data.

#### PROPOSED ASSESSMENT FOR THE 2004 REVIEW — USER CHARGES

218. Table 48 summarises the assessment structure for the draft assessment of user charges for the 2004 Review.

**Table 48** HOUSING, PROPOSED ASSESSMENT STRUCTURE FOR USER CHARGES FOR THE 2004 REVIEW

Component	Revenue base	Basis of calculation
User charges	Standardised number of public housing households	Based on use weights derived from Census data according to Indigeneity, location and income. The standardised number of low and high income public housing households receive different weightings that represent their capacity to be a source of revenue.

#### *Derivation of revenue raising capacity*

219. Table 49 summarises the 2004 Review revenue raising capacity for 2001-02 and compares it to the 2003 Update revenue raising capacity for 2001-02.

**Table 49** HOUSING USER CHARGES — 2004 REVIEW REVENUE RAISING CAPACITY FOR 2001-02 AND 2003 UPDATE REVENUE RAISING CAPACITY FOR 2001-02

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update	1.02481	0.85353	1.18563	0.82216	1.15418	1.08561	0.89460	0.82728
Draft assessment - 2004 Review	0.99240	0.91019	1.02294	1.07969	1.05038	1.11729	0.85389	2.47390

***Standardised user charges***

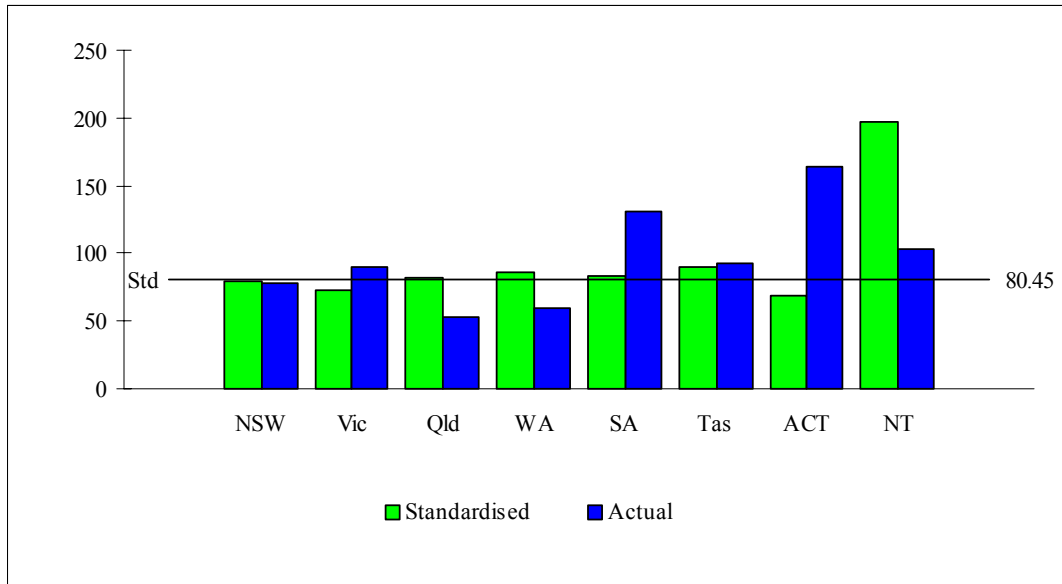
220. Table 50 shows the standardised user charges assessed for this category for 2001-02 in the draft assessment compared with that assessed in the 2003 Update.

**Table 50** ACTUAL AND STANDARDISED AND USER CHARGES, 2001-02

	Standard	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Actual User Charges</b>									
\$ per capita	80.45	77.85	89.53	53.08	60.01	130.46	92.07	163.41	103.32
<b>2003 Update - Standardised User Charges</b>									
\$'000		495176	301505	316634	114746	127531	37375	21003	12035
\$ per capita	72.76	74.56	62.10	86.27	59.82	83.98	78.99	65.09	60.19
<b>2004 Review Draft Assessment - Standardised User Charges</b>									
\$'000		526689	353151	300063	165513	127480	42250	22019	39529
\$ per capita	80.45	79.31	72.74	81.75	86.29	83.94	89.29	68.24	197.71

221. Figure 2 shows the gross expenses per capita for 2001-02 in terms of standardised, estimated and gross standard expenses.

**Figure 2** HOUSING USER CHARGES — GROSS EXPENSES PER CAPITA — STANDARDISED, ESTIMATED AND STANDARD, 2001-02



***Effect of assessment on grants***

222. Table 51 shows the redistribution of grants resulting from the Housing User Charges assessment in the 2003 Update and the new assessment.

223. Compared with the 2003 Update, the draft assessment redistributed \$78.6 million away from Victoria, Western Australia, Tasmania and the Northern Territory to New South Wales, Queensland, South Australia and the ACT.

224. The main reason for the changes since the 2003 Update was the revised user charges assessment, which also used different data sources from the 2003 Update method. The previous method focussed on the number of low income private renters. The revised method more appropriately focuses on the capacity of States to raise revenue from a standardised number of public housing tenants.

**Table 51** EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION — HOUSING USER CHARGES

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total <sup>(a)</sup>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Contribution to 2003 Update relativities<sup>(b)</sup></b>	-13.4	61.2	-48.6	20.8	-17.5	-3.2	2.1	-1.6	84.2
<b>Contribution to 2004 Review Draft Assessments relativities<sup>(c)</sup></b>	7.9	39.6	-5.1	-11.9	-5.5	-4.4	4.1	-24.7	51.6
<b>Total Change</b>	21.3	-21.6	43.5	-32.7	11.9	-1.2	1.9	-23.1	78.6

(a) Total redistribution.

(b) Assuming same pool and a constant population.

(c) This figure shows the change in the amount redistributed among the States between the 2003 Update and the 2004 Review Draft Assessment. It does not necessarily equal the difference in the total contributions to the relativities between the two inquiries.

## ATTACHMENT A

### USE WEIGHTS FOR SOCIO-DEMOGRAPHIC FACTOR FOR PUBLIC HOUSING — MANAGEMENT COMPONENT

Region	Income	Indigenous status	Age	Weight
Cities	Less than \$20 799	Non-Indigenous	<25	4.5
Cities	Less than \$20 799	Non-Indigenous	26-64	6.6
Cities	Less than \$20 799	Non-Indigenous	65+	5.8
Cities	Less than \$20 799	Indigenous	<25	26.8
Cities	Less than \$20 799	Indigenous	26-64	32.6
Cities	Less than \$20 799	Indigenous	65+	26.7
Cities	\$20 800 and over	Non-Indigenous	<25	1.7
Cities	\$20 800 and over	Non-Indigenous	26-64	1.2
Cities	\$20 800 and over	Non-Indigenous	65+	1.4
Cities	\$20 800 and over	Indigenous	<25	10.3
Cities	\$20 800 and over	Indigenous	26-64	11.9
Cities	\$20 800 and over	Indigenous	65+	15.1
Cities	Not applicable (children under 15)	Non-Indigenous	<25	4.6
Cities	Not applicable (children under 15)	Indigenous	<25	30.6
Regional	Less than \$20 799	Non-Indigenous	<25	3.8
Regional	Less than \$20 799	Non-Indigenous	26-64	4.4
Regional	Less than \$20 799	Non-Indigenous	65+	3.5
Regional	Less than \$20 799	Indigenous	<25	29.1
Regional	Less than \$20 799	Indigenous	26-64	32.5
Regional	Less than \$20 799	Indigenous	65+	28.1
Regional	\$20 800 and over	Non-Indigenous	<25	1.4
Regional	\$20 800 and over	Non-Indigenous	26-64	1.0
Regional	\$20 800 and over	Non-Indigenous	65+	1.1
Regional	\$20 800 and over	Indigenous	<25	14.7
Regional	\$20 800 and over	Indigenous	26-64	16.1
Regional	\$20 800 and over	Indigenous	65+	25.5
Regional	Not applicable (children under 15)	Non-Indigenous	<25	3.8
Regional	Not applicable (children under 15)	Indigenous	<25	31.5

Region	Income	Indigenous status	Age	Weight
Remote	Less than \$20 799	Non-Indigenous	<25	4.7
Remote	Less than \$20 799	Non-Indigenous	26-64	3.6
Remote	Less than \$20 799	Non-Indigenous	65+	4.2
Remote	Less than \$20 799	Indigenous	<25	68.4
Remote	Less than \$20 799	Indigenous	26-64	64.4
Remote	Less than \$20 799	Indigenous	65+	49.4
Remote	\$20 800 and over	Non-Indigenous	<25	2.4
Remote	\$20 800 and over	Non-Indigenous	26-64	1.9
Remote	\$20 800 and over	Non-Indigenous	65+	1.4
Remote	\$20 800 and over	Indigenous	<25	32.4
Remote	\$20 800 and over	Indigenous	26-64	32.2
Remote	\$20 800 and over	Indigenous	65+	34.8
Remote	Not applicable (children under 15)	Non-Indigenous	<25	3.4
Remote	Not applicable (children under 15)	Indigenous	<25	60.4

## ATTACHMENT B

### USE WEIGHTS FOR SOCIO-DEMOGRAPHIC FACTOR FOR PUBLIC HOUSING — MAINTENANCE COMPONENT

Location	Income	Indigenous status	Weight
Major city	Less than \$31,199	Indigenous	31.0
Major city	Less than \$31,199	Non-Indigenous	11.1
Major city	\$31,200 and over	Indigenous	8.7
Major city	\$31,200 and over	Non-Indigenous	1.4
Inner regional	Less than \$31,199	Indigenous	27.5
Inner regional	Less than \$31,199	Non-Indigenous	6.8
Inner regional	\$31,200 and over	Indigenous	10.7
Inner regional	\$31,200 and over	Non-Indigenous	1.0
Outer regional	Less than \$31,199	Indigenous	31.4
Outer regional	Less than \$31,199	Non-Indigenous	6.6
Outer regional	\$31,200 and over	Indigenous	17.1
Outer regional	\$31,200 and over	Non-Indigenous	1.2
Remote	Less than \$31,199	Indigenous	43.4
Remote	Less than \$31,199	Non-Indigenous	6.4
Remote	\$31,200 and over	Indigenous	28.9
Remote	\$31,200 and over	Non-Indigenous	1.6
Very remote	Less than \$31,199	Indigenous	62.5
Very remote	Less than \$31,199	Non-Indigenous	4.8
Very remote	\$31,200 and over	Indigenous	60.0
Very remote	\$31,200 and over	Non-Indigenous	3.3