



COMMONWEALTH GRANTS COMMISSION

DRAFT ASSESSMENT PAPER CGC 2003/36

FIRST HOME OWNERS SCHEME

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.

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FIRST HOME OWNERS SCHEME

1. This paper presents a draft assessment for the First Home Owners Scheme (FHOS) category for the 2004 Review.

1999 REVIEW

2. The FHOS category comprised one-off payments of \$7000 to first home owners to offset the impact of the introduction of the GST. The States agreed to make these payments as part of the Intergovernmental Agreement (IGA) which accompanied the introduction of the Goods and Services Tax (GST). The eligible owner had to buy a house, enter into a binding contract or commence building in the case of owner builders, on or after 1 July 2000. Assistance was not means tested.

3. The extra \$7000 provided by the Commonwealth Government through the States for first home owners purchasing new homes was treated by exclusion and therefore has no impact on this assessment. This additional grant has now ceased.

4. Table 1 shows the gross standard expenses for six financial years. In 2001-02, this category represented 1.39 per cent of total gross standard expenses.

Table 1 FIRST HOME OWNERS SCHEME — GROSS STANDARD EXPENSES, 2003 UPDATE

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
\$pc	41.04	36.55	38.44	40.79	53.06	71.39
% of total gross standard expenses	1.09	0.93	0.83	0.86	1.07	1.39

5. The method of assessment for this category was actual per capita (APC). As the FHOS was not introduced until 1 July 2000, there were no actual expenses for the years prior to 2000-01. Therefore, the expenses the scheme would have incurred if it had been operating during the years prior to 1 July 2000 were estimated. For the years 1997-98 and 1998-99, the number of first home owners (using ABS data) was multiplied by \$7000. For 1999-2000, the estimated 2000-01 expenses were deflated using the changes in the FAG pool, derived from the IGA documentation. For 2000-01 and 2001-02, the Commission used State data.

2004 REVIEW

6. No States made any comments concerning the assessment of this category in the main and rejoinder submissions for the 2004 Review.

7. **Commission decision.** Table 2 shows the Commission decision for this category for the 2004 Review.

Table 2 COMMISSION DECISION — FIRST HOME OWNERS SCHEME

Proposal	Reason
The assessment will continue to be made on an actual per capita (APC) basis.	This is a demand driven program and all States have identical policies. Actual expenses represent the amount that States need to spend to provide this program.

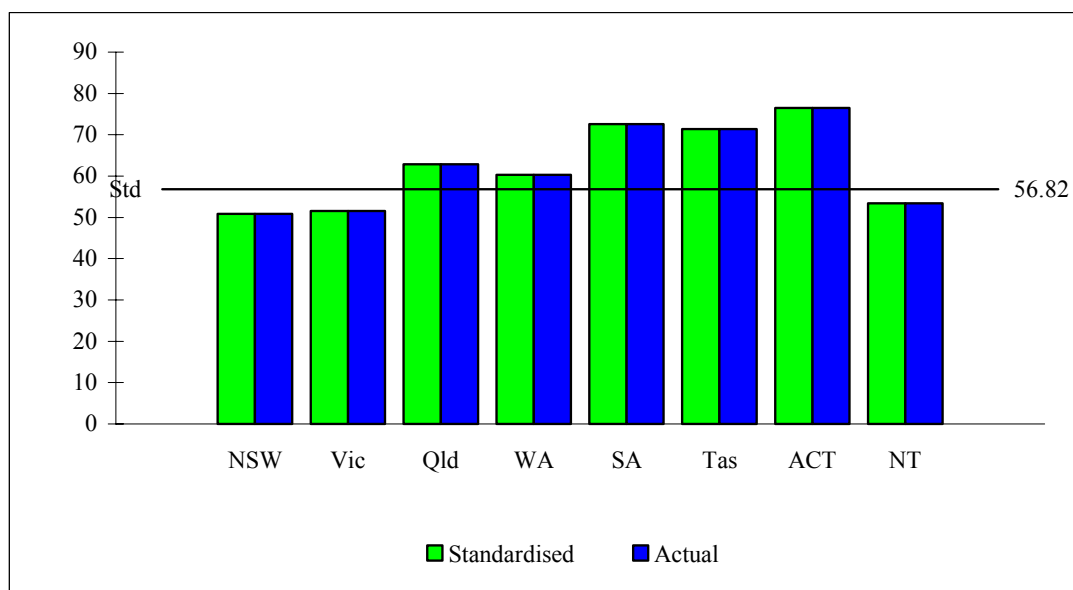
8. **Results.** Table 3 shows the assessment for 2001-02. There has been no change in these figures since the 2003 Update.

Table 3 ACTUAL AND STANDARDISED EXPENSES, 2001-02

	Standard	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Actual Expenses									
\$ per capita	56.82	50.85	51.55	62.84	60.32	72.58	71.37	76.47	53.37
2004 Review Draft Assessment - Standardised Expenses									
\$'000		337 700	250 263	230 670	115 698	110 220	33 770	24 675	10 670
\$ per capita	56.82	50.85	51.55	62.84	60.32	72.58	71.37	76.47	53.37

9. Figure 1 shows the gross expenses per capita for 2001-02 in terms of standardised, estimated and standard expenses.

Figure 1 FIRST HOME OWNERS SCHEME — GROSS EXPENSES PER CAPITA — STANDARDISED, ESTIMATED AND STANDARD, 2001-02



10. Compared to an equal per capita assessment, the FHOS assessment in the 2003 Update redistributed \$58.3 million from New South Wales, South Australia, Tasmania and the Northern Territory to the other States.

Table 4 EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION — FIRST HOME OWNERS SCHEME

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total ^(a)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Contribution to 2003 Update relativities ^(a)	-47.5	9.8	12.5	32.9	-7.2	-3.2	3.1	-0.5	58.3
Contribution to 2004 Review Draft Assessments relativities ^(b)	-47.4	9.1	6.4	31.0	-1.1	-2.2	4.1	0.0	50.7
Total Change	0.1	-0.7	-6.0	-1.9	6.1	1.0	1.0	0.5	8.6

(a) Assuming same pool and a constant population.

(b) 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.