

Housing

Overview

- 1 On 6 October 2023, the Commission issued a consultation paper on the [housing](#) assessment. The Commission considered changes since the 2020 Review and their implications for the assessment method.
- 2 The Commission’s preliminary view was that there should be a separate assessment for public and community housing if it resulted in a material difference in GST distribution.
- 3 A summary of state and territory (state) responses to each consultation question is included below, as well as the Commission’s draft position and the draft 2025 Review assessment method.
- 4 State submissions can be viewed [here](#).

Consultation questions

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

State views

- 5 Queensland, Western Australia, South Australia, Tasmania and the ACT agree that the housing assessment remains fit for purpose notwithstanding recent developments in the housing market.
- 6 New South Wales said the housing assessment should be revised to remove the use of socio–demographic drivers and instead directly assess the level of housing stress within each state. New South Wales said the demand for social housing derives from an inability of households to find suitable private housing, not from the intrinsic characteristics of certain socio–economic groups within the community.
- 7 New South Wales said using the proportion of households in each state that are in, or potentially in, housing stress is consistent with the Commission’s intent to apportion national social housing expenses to states based on underlying need.
- 8 New South Wales said the Commission should investigate a more appropriate measure of calculating low socio–economic status households than equivalised national income per week. New South Wales said this approach is faulty as it is solely a measure of income and does not consider cost or household purchasing power within a state. New South Wales said if the Commission only accounts for the

income component at a national average level, it will not accurately capture the low socio-economic status populations under housing stress in each state.

- 9 New South Wales said a better approach would be to consider some combination of household income and cost, using the standard 30/40 measure of housing stress.¹ Under this measure housing stress is driven by income (i.e. lowest 40% of incomes) and cost (i.e. proportion of these households spending 30% of this income on shelter). New South Wales said alternatively, the Commission could adjust its \$650 low socio-economic status income threshold for each state to recognise differences in average rents between states.
- 10 Victoria said that while the housing assessment remains mostly fit for purpose housing affordability should be introduced as a driver of need. Victoria said as housing affordability declines, people require more support from governments to stay in housing and rely on public services more. Victoria said this driver should be based on low-income households spending more than 30% of income on rent and account for the additional burden in urban areas.
- 11 In its response to the welfare consultation paper, Victoria said that if homelessness services are assessed separately, the homelessness component should form part of the housing category.
- 12 The Northern Territory said it has by far the highest rates of homelessness in Australia, at more than 10 times the national average. It said the majority of the Northern Territory's homelessness is due to severe overcrowding, which drives social housing need. The Northern Territory said there should be changes to the current method to directly account for overcrowding because the current method reduces assessed housing funding in states with above-average overcrowding. The Northern Territory said because the national average use rates are applied to each state's total households, a state with lower housing per capita, with higher overcrowding or homelessness rates, is apportioned less funding per capita.
- 13 The Northern Territory said the current method should be converted from a dwelling-based apportionment to a per capita apportionment. It said the method should also incorporate an indicator of residual drivers of housing need, such as differences in private housing stock.
- 14 Queensland noted the assessment is already overly complex and has the second lowest overall distribution of expense assessments. It said it did not support adding further disaggregation to this assessment as it is unlikely to be material and would result in additional unnecessary complexity.

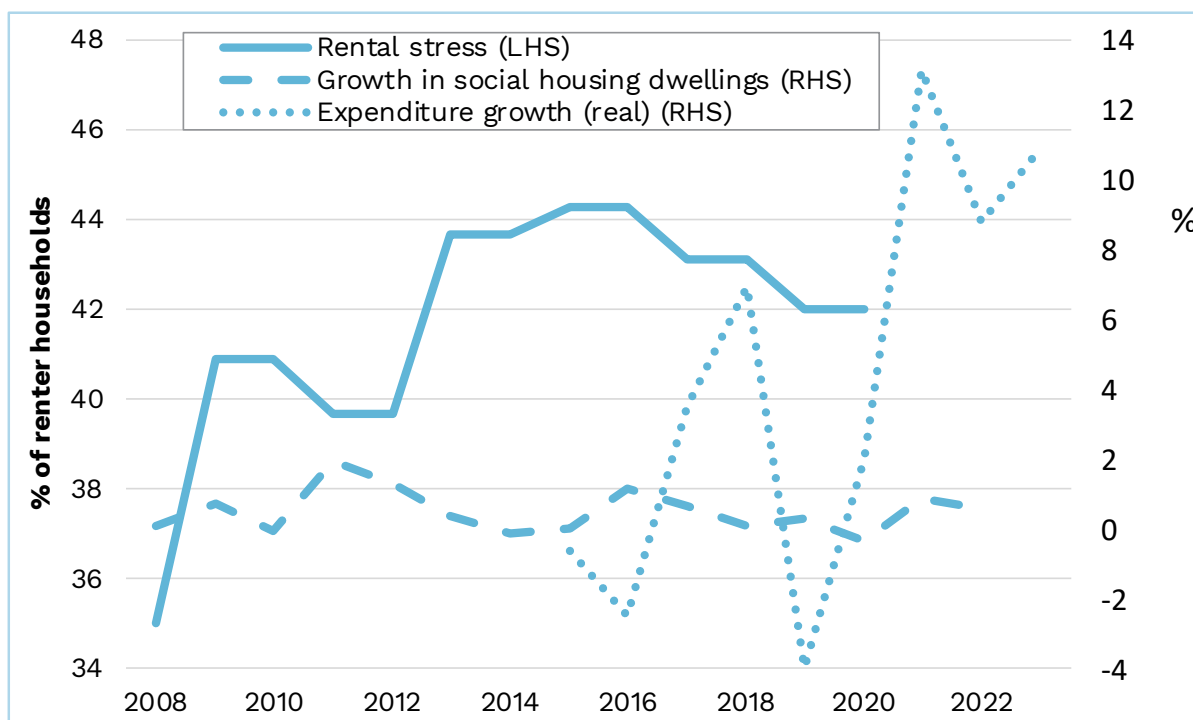
¹ Australian Housing and Urban Research Institute (AHURI), [Understanding the 30:40 indicator of housing affordability stress](#), AHURI, 2019, accessed 14 June 2024.

Commission response

Housing stress

- 15 The Commission agrees that there is a conceptual case that housing stress is a driver of demand for social housing. However, increased demand does not necessarily lead to increased provision of social housing. In response to state comments the Commission examined whether there were data available to quantify the relationship.
- 16 Figure 1 compares changes over time in rental stress (defined as share of low-income households paying more than 30% of income²) with the growth in state expenditure (recurrent and capital) on social housing and the growth in social housing dwellings. This does not present a compelling case for there being a relationship between housing stress and the provision of social housing. Expenditure growth will in part reflect the replacement of older social housing stock rather than the creation of additional stock. In addition, the caveats noted by the publisher of the dwellings data, the Australian Institute of Health and Welfare, mean the data may not be of sufficient quality to quantify a relationship between housing stress and the provision of social housing. In addition, states have not presented nor is the Commission aware of alternative data enabling the relationship between housing stress and state spending on social housing to be quantified.

Figure 1 Relationship between rental stress and social housing



Source: ABS Housing Occupancy and Costs, Australia, 2019-20; Productivity Commission, Review of Government Services, Housing Table 18A.1 various years; Australian Institute of Health and Welfare National, Housing Assistance in Australia 2023.

² Lower income households are defined as those households containing the 40% of people at or below the 40th percentile of equivalised disposable household income (excluding RA) calculated at the total Australian households level.

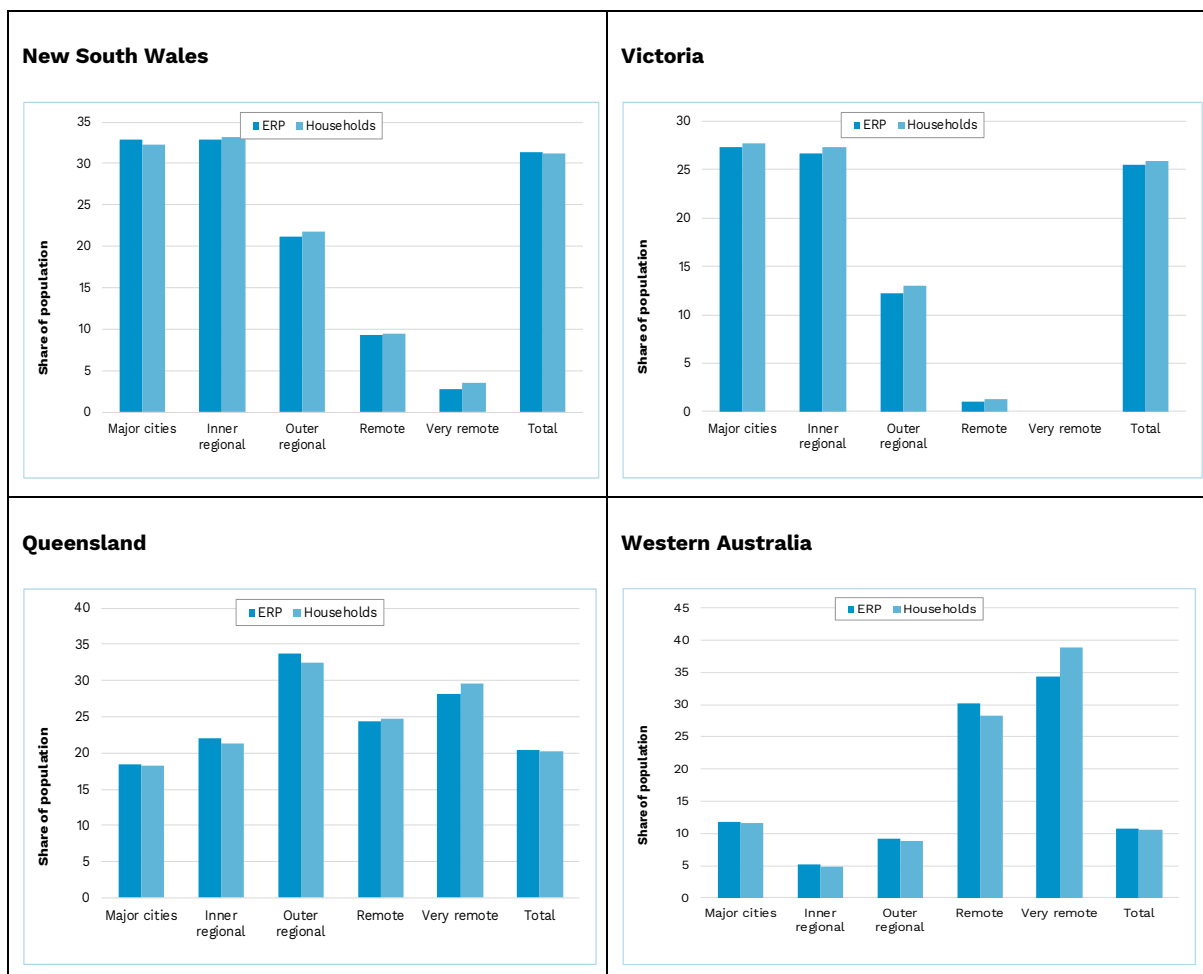
Measure of socio-economic status

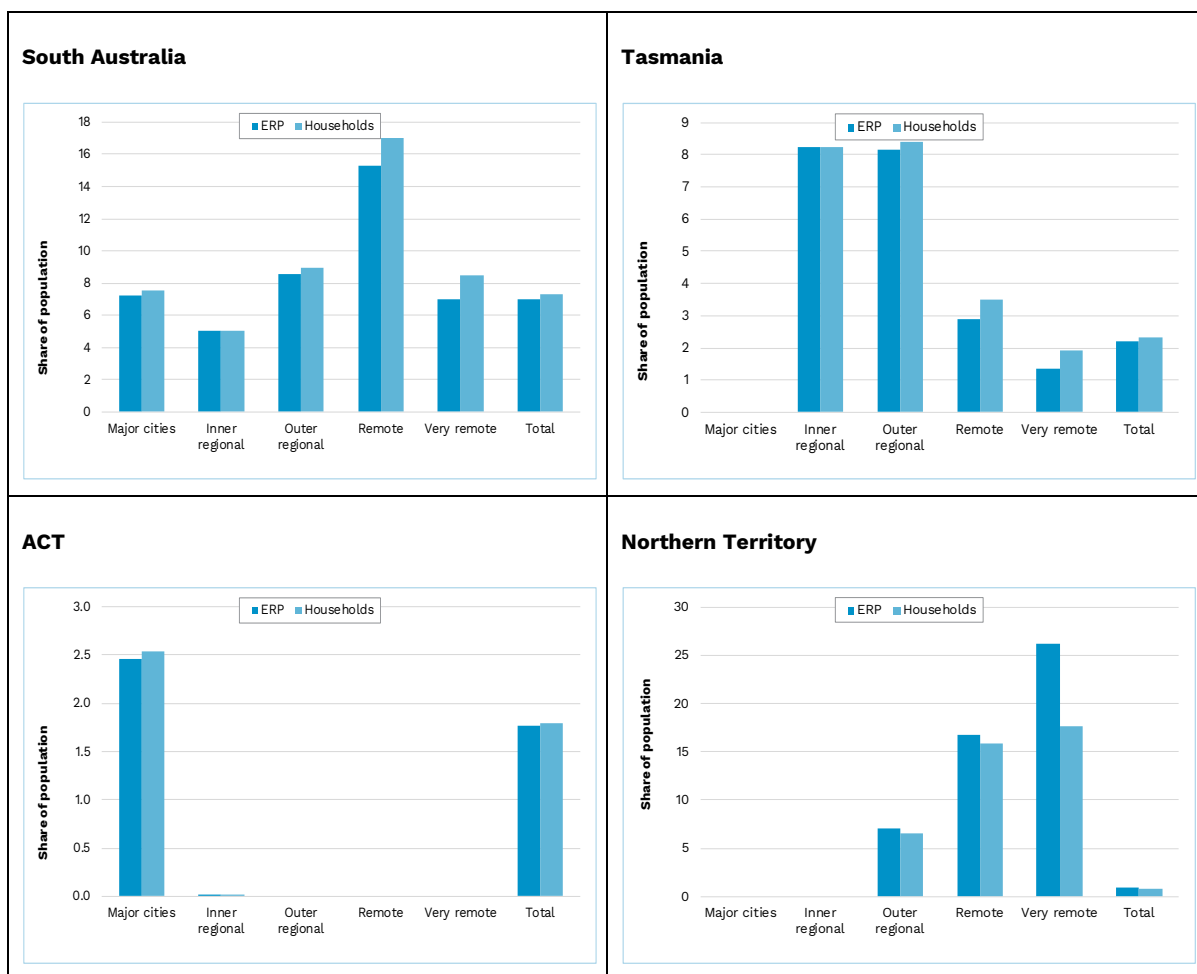
17 New South Wales suggested an alternative measure of socio-economic status in the housing assessment. However, states determine eligibility for social housing based on household income. As such, the Commission considers that household income remains the most appropriate measure of socio-economic status for the housing assessment.

Household undercount due to overcrowding

18 The 2020 Review assessment method is household-based. National average per capita expenses and revenues are apportioned by state, based on their share of households in each geographic area. The Commission agrees with the Northern Territory’s view that states that have overcrowded social housing are disadvantaged by this approach. The largest difference between a state’s share of individuals and its share of households occurs for the Northern Territory in very remote areas (see Figure 2). An individuals-based assessment has the potential to address this issue.

Figure 2 Population shares – Individuals vs households





Source: Commission calculation using ABS 2021 census counts of households and disaggregated estimated resident population at June 2021 rescaled to total estimated resident population at December 2021.

- 19 The Commission has developed an individuals-based assessment using census data enumerated by individuals. Socio-demographic groups (remoteness, Indigenous status, socio-economic status) are cross classified to derive national social housing use rates.
- 20 The process for classifying individuals by remoteness and socio-economic status does not change how any individual would be classified compared to the existing household-based assessment.
- 21 For socio-economic status, the individuals enumeration and the households enumeration use Equivalised Total Household Income (weekly)³ to measure whether a household is considered high or low income.⁴ For the individuals enumeration, each person in a household is allocated the same equivalised total household income as the household would be allocated in the households enumeration.
- 22 For remoteness, the enumeration of individuals uses the 5 ABS remoteness areas, as is the case in the 2020 Review method based on enumeration of households.

³ ABS (Australian Bureau of Statistics), *Equivalised total household income (weekly) (HIED)*, ABS, 2021, accessed 14 June 2024.

⁴ Current threshold is \$650 per week (based on state social housing income eligibility for single income households).

23 However, it is possible for the Indigenous status of individuals to be different in the individuals enumeration compared to the households enumeration. For Indigenous status, the individuals enumeration uses the census variable *Indigenous Status*⁵, which classifies the response of people who identified themselves as being First Nations. The current household enumeration uses the *Indigenous Household Indicator* census variable⁶, which classifies households that have at least one person who identified as being First Nations. The difference is, for the individuals enumeration, in households with First Nations and non-Indigenous members, each person will be classified by their Indigenous status, whereas the households enumeration classifies a household with First Nations and non-Indigenous members as one Indigenous household.

Commission draft position

- 24 The Commission proposes to use an individuals-based assessment instead of a household assessment to better reflect the drivers of state spending. This approach addresses the underestimation of use for social housing due to overcrowding.
- 25 The Commission does not propose to include housing stress as a driver of need as reliable data are not available to establish a relationship between housing stress and the provision of social housing. The Commission proposes to continue to use household income as the measure of socio-economic status as this is what states use to determine eligibility for social housing.

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

State views

- 26 New South Wales, Victoria, Queensland and Tasmania said there should not be separate assessments for public and community housing.
- 27 New South Wales said public and community housing represent different policy options available to states to provide for their overall social housing service needs and differences in states' public and community housing mix do not reflect any genuine difference in need or circumstance.
- 28 Victoria considers community and public housing should not be assessed separately because the demographic breakdowns of households in community and public housing appear to be very similar.
- 29 Queensland said where states have a higher concentration of community housing compared to public housing, this is most likely a result of the community housing

⁵ ABS (Australian Bureau of Statistics), [Indigenous status \(INGP\)](#), ABS, 2021, accessed 14 June 2024.

⁶ ABS (Australian Bureau of Statistics), [Indigenous household indicator \(INGDWTD\)](#), ABS, 2021, accessed 14 June 2024.

market responding to service delivery decisions made by states, rather than differences in fiscal needs.

- 30 Tasmania said the proportion of delivery by each sector is determined by a complex range of factors, including policy decisions of state governments. It is concerned that assessing community housing and public housing separately may inadvertently advantage or disadvantage states for these policy choices.
- 31 Western Australia, the ACT and the Northern Territory said they agree in-principle with the separate assessments. However, they have concerns that the available expense data does not accurately represent state spending on the different forms of social housing. The Northern Territory also said that it is unlikely that remote areas have similar capacity to support community housing due to different legal and economic circumstances in remote First Nations communities.
- 32 The Northern Territory said the Commission should recognise differing rates of Commonwealth Rent Assistance by state because states that receive higher Commonwealth Rent Assistance than their population share have a reduced spending burden. The Northern Territory suggested a revenue adjustment to distribute Commonwealth Rent Assistance by assessed housing stock.
- 33 South Australia said data to support the testing of this assumption will be provided as part of the data collection process. South Australia will consider the implications of a revised assessment after data has been returned from states, factoring in any concerns around data quality or comparability.

Commission response

- 34 The Commission explored the use of separate assessments for public and community housing due to the different funding models for the 2 forms of social housing. In particular, as the Northern Territory said, community housing tenants are eligible for Commonwealth Rent Assistance, which potentially reduces the extent that community housing providers need to be subsidised by state governments.
- 35 As Tasmania said, a complex range of factors are likely to determine the balance of public and community housing in a state's total social housing stock. All states do not necessarily have the same capacity to choose the mix of public and community housing due to limited availability of community housing providers. This may particularly be the case in remote First Nations communities, as pointed out by the Northern Territory. It is also evident from state comments that there are problems in separately identifying state expenses for public and community housing. On the basis of these considerations, the Commission acknowledges it would be problematic at this time to separately assess public and community housing.
- 36 Using expense data on public and community housing from the Productivity Commission's Report on Government Services, the Commission tested the materiality of separate assessments. It showed that separate assessments made a

material difference (reduction) to GST distribution for the Northern Territory with limited changes in distribution to other states.

Commission draft position

37 The Commission proposes to continue with a combined assessment of state spending on public and community housing.

Q3. Is the ABS census data on households with members that have long-term health conditions a suitable proxy for households that have high service needs?

Q4. Do states have data on the cost of servicing different household types that would enable the calculation of a cost gradient?

State views

- 38 New South Wales and Tasmania said there was a conceptual case for assessing households with high service needs as a driver of social housing costs. However, New South Wales, Victoria, Queensland, Western Australia and the Northern Territory do not consider ABS census data on households with members that have long-term health conditions a suitable proxy for households that have high service needs.
- 39 Queensland said the vast majority of persons within the Queensland social housing system have long-term health conditions and hence will already be included within the current assessment methods.
- 40 South Australia said while it acknowledges the conceptual case, it has concerns about the appropriateness of the data.
- 41 Tasmania said that the ABS 2021 Census includes data that are a reasonable proxy for the need to provide social housing households with additional services. It supports the use of these data to develop a driver of need.
- 42 The ACT said that there is some correlation between tenants of social housing in the ACT who have long-term health conditions and the provision of higher levels of service.
- 43 Most states said they have limited or no data on the cost of servicing different household types.
- 44 Tasmania holds data on the additional costs of providing social housing services to tenants with high service needs. Once data required by the Commission have been specified, Tasmania will be able to confirm whether the required information can be provided.

Commission response

- 45 Feedback from states indicates that ABS census data on households with members that have long-term health conditions are not a suitable proxy for households that have high service needs.
- 46 Most states are unable to provide data to enable the calculation of a cost gradient for low and high-cost social housing tenants.

Commission draft position

- 47 The Commission proposes not to pursue the development of a high-cost tenant cost gradient for the 2025 Review because reliable data are not available.

Other issues raised by states

Regional costs

- 48 New South Wales said it does not consider the 2020 Review general regional cost gradient to be an appropriate method of apportioning regional costs in the housing assessment. New South Wales considers that applying the general regional cost gradient risks overstating the slope steepness (and cost) of housing expenditure in regional and remote areas. New South Wales said a housing-specific gradient, preferably based on comprehensive state data, will provide a more accurate assessment.
- 49 Victoria said it has concerns with the 2020 Review method for implementation of regional costs for the housing assessment. Victoria said it is unclear why the provision of housing services should have the same remote cost weighting as hospitals and schools. Victoria said the general regional cost gradient should not be applied to the housing assessment. If it is applied, Victoria said a discount of at least 25% should be applied.
- 50 Western Australia said the general gradient greatly underestimates the costs to supply and maintain social housing in the regional areas. Western Australia said most of its First Nations communities are in the remote and very remote categories with some of these locations being the most isolated in the country. It can pay up to \$10,000 in travel costs alone to send tradespersons to provide basic services. Western Australia said Rawlinsons' indices should be used instead of the general regional cost gradient because Rawlinsons' indices are widely used nationally and are developed specifically to provide data on construction costs and variations.

Commission response

- 51 State differences in tenancy management, maintenance and construction costs are recognised in the recurrent expenses and investment assessments of social housing. These costs are currently measured by using a general regional cost gradient and the Rawlinsons capital cost gradient, as seen in Table 1.

Table 1 Regional costs assessment for social housing assessments

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

(a) Other social housing expenses include tenancy management.
Source: Commission calculation.

- 52 For the 2025 Review, in response to a number of states that considered the general regional cost gradient was not appropriate for housing expenses, the Commission asked states for data on the cost of providing social housing by region to derive a housing specific regional cost gradient.
- 53 Only 2 states⁷ were able to provide data to support an estimation of a housing specific regional cost gradient. The Commission considers this is not sufficiently representative of what states do to support a robust estimate of how costs change as remoteness increases. Therefore, for the 2025 Review, the Commission proposes to retain the 2020 Review regional costs assessment method for housing, using the general regional cost gradient and Rawlinsons capital cost gradient (Table 1).

Commission draft position

- 54 The Commission proposes to retain the 2020 Review regional costs assessment method for housing due to a lack of data to support the calculation of a housing specific regional cost gradient.

First Nations cost weight

- 55 Victoria said it agrees there is indicative evidence that remote and First Nations people utilise housing services more. Victoria noted for the 2020 Review that the Commission applied judgement to determine a cost weighting for First Nations households. State data indicated a cost weighting of 1.06, while data from the Productivity Commission's Report on Government Services produced a weighting of 1.27. The final figure chosen by the Commission was 1.20. Victoria said it supports the Commission's use of judgement where required, however, there is not sufficient justification for the implicit higher weighting towards Productivity Commission data. Victoria said it hopes the Commission can work with states so their data returns are a satisfactory source without the need for judgement.
- 56 Western Australia said the current First Nations cost weight of 1.20 severely underestimates the additional costs faced by Western Australia to provide housing for First Nations households. Western Australia said the elevated costs in

⁷ Queensland and Western Australia.

Western Australia for First Nations social housing reflects the tenant profile (including household size and support needs), and very high repair and maintenance costs for First Nations households. Western Australia said the Commission should investigate other data sources to calculate the First Nations cost weight.

- 57 The Northern Territory said that the First Nations loading applied in the housing investment assessment should be allowed to vary between jurisdictions and the First Nations loading should be applied to all First Nations dwellings in First Nations communities, homelands and town camps. The Northern Territory said dedicated First Nations housing in these areas is due to state circumstances, influenced by geographic, legal and historical circumstances and is not a policy choice.

Commission response

- 58 The Commission asked states for data on the cost of providing public housing and State Owned and Managed Indigenous Housing to update the First Nations cost weight. Useable data was only received from 3 states⁸ and this produced a First Nations cost weight of 1.24. The Commission also calculated a First Nations cost weight using data from the Productivity Commission’s Report on Government Services⁹, which produced a cost weight of 1.22.
- 59 To calculate the capital stock factor for the housing investment assessment, the First Nations cost weight is used to scale-up the number of First Nations people living in First Nations specific social housing. This is intended to account for the increased investment needs associated with First Nations-specific housing, which is often larger and with more expensive specifications than mainstream housing. A national average for the share of First Nations people living in First Nations specific social housing is used in the calculation rather than a state-specific share (Table 2).

Table 2 Proportion of First Nations social housing households living in First Nations-specific dwellings

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
2018-19	0.38	0.33	0.49	0.23	0.40	0.31	0.00	0.73	0.42
2019-20	0.33	0.29	0.46	0.22	0.38	0.31	0.00	0.72	0.39
2020-21	0.35	0.30	0.44	0.22	0.36	0.29	0.00	0.72	0.39
2021-22	0.34	0.31	0.43	0.21	0.34	0.21	0.00	0.72	0.38
2022-23	0.33	0.28	0.42	0.20	0.31	0.21	0.00	0.72	0.36

Source: Productivity Commission, Report on Government Services 2024 – 18 Housing data tables [data set], 2024, accessed 14 June 2024.

- 60 The Commission agrees that each state’s existing mix of mainstream and First Nations-specific social housing is likely to be the result of a range of factors and not simply a policy choice. However, by changing the calculation to use state-specific shares of First Nations people living in First Nations-specific social

⁸ Queensland, South Australia and Tasmania.

⁹ Productivity Commission, [Report on Government Services 2024 – 18 Housing data tables \[data set\]](#), 2024, accessed 14 June 2024.

housing, rather than a national average, as requested by the Northern Territory, it may create an incentive for states to re-balance their mix of mainstream and First Nations-specific social housing.

- 61 The First Nations cost weight is calculated based on differences in costs associated with mainstream and First Nations specific housing. It would not be appropriate to apply this factor to First Nations people living in mainstream housing.
- 62 The Commission explored the use of national average shares of First Nations people living in First Nations-specific social housing, disaggregated by remoteness area. However, the Productivity Commission's Report on Government Services data does not allow the data to be disaggregated in this way.

Commission draft position

- 63 Taking into consideration the updated data provided by 3 states and data produced by the Productivity Commission in its Report on Government Services 2024, the Commission proposes to retain a First Nations cost weight of 1.2 for the 2025 Review.
- 64 For the calculation of the capital stock factor, the Commission proposes to continue to use the national average share of First Nations people living in First Nations-specific housing as it is policy neutral.

Cultural and Linguistic Diversity

- 65 New South Wales said the Commission should investigate introducing a cost weight for culturally and linguistically diverse clients in the housing assessment and consider the joint materiality of including a culturally and linguistically diverse driver across all relevant expenditure assessments. New South Wales said for social housing, it has previously been demonstrated that culturally and linguistically diverse households are more likely to require social housing assistance than non-culturally and linguistically diverse households. It provided data for 2020-21 which showed that 30.6% of clients on the social housing wait list had a culturally and linguistically diverse status household head.¹⁰
- 66 Victoria said there is significant evidence that culturally and linguistically diverse people use public housing services relatively more, and have higher costs associated when they do. Victoria said these costs are driven by translation services, culturally appropriate design (for example number of bedrooms and layout) and additional tenancy management to ensure social cohesion. Victoria said that a culturally and linguistically diverse driver should be included for the housing assessment to reflect the higher rate of access to social housing and the additional service costs.

¹⁰ New South Wales Department of Communities and Justice, [Statistical Report 2020-21](#), 2023.

Commission response

- 67 The Commission considers there is a conceptual case that people from different cultural backgrounds use social housing at different rates and have higher costs when they do.
- 68 A substantial amount of work is required to develop, test and consult with states on a potential culturally and linguistically diverse driver for the housing assessment. This includes, in particular, the appropriate definition of cultural and linguistic diversity in the context of social housing use as well as the availability of fit for purpose data.

Commission draft position

- 69 For the 2025 Review the Commission proposes not to include a cost weight for cultural and linguistic diversity or include cultural and linguistic diversity as a driver of need in this assessment. The Commission proposes to consider how cultural and linguistic diversity affects state service costs as a part of its proposed forward work program.

Cost weight for age

- 70 New South Wales said the Commission should investigate the materiality of including social housing tenant age as a driver of service costs. New South Wales said that there are higher service costs associated with older social housing tenants.
- 71 New South Wales said higher costs in providing services for these tenants can include the need for specialist services, the need to provide older tenants with properties with specific features (i.e. the greater difficulty in effectively placing tenants), and the need for minor renovations or other modifications to properties.

Commission response

- 72 The development of an aged-based cost weight will depend on accessing reliable data on the additional social housing costs associated with older tenants. The Commission will work with the states between reviews to determine if such data are available.

Commission draft position

- 73 For the 2025 Review the Commission proposes not to incorporate an aged-based cost weight. The Commission will pursue this issue between reviews in consultation with states.

Head Leasing Cost Driver

- 74 New South Wales said the Commission should evaluate the prevalence of social housing head leasing in each state and consider its impact as a driver of social housing costs.¹¹ New South Wales said private rental increases impact on the costs of head leasing. It said the cost of the head lease paid by the state government increases in line with the private market. It said, in contrast average state policy is to not increase social housing tenant rents at the same rate as the private market.

Commission response

- 75 State expenses on head leasing costs are likely to be classified against the Classification of Functions of Government (COFOG) codes that align with the housing assessment. As such, these expenses would be currently assessed by the social housing drivers of need.
- 76 To determine whether a separate assessment is required, states would first need to provide expense data and information on the socio-demographic composition of tenants in private housing supported by head leasing arrangements. If these expenses represent a significant share of costs and differences exist in the socio-demographic profile of tenants compared to social housing tenants, the development of a separate assessment may be justified. The Commission would need to consult with states on data collection and method development.

Commission draft position

- 77 For the 2025 Review the Commission proposes not to develop a driver of need for using private rental properties to meet social housing demand as reliable data are not available. The Commission will pursue this issue between reviews in consultation with states.

Affordable housing

- 78 Victoria said affordable housing programs are emerging across the country in response to increasing rates of housing stress. Victoria said renters living in affordable housing are distinct from social housing renters. It said eligibility requirements are different and rents are tied to the market rate, rather than income as in social housing. Victoria said if deemed to be material, these differences likely mean a separate assessment of affordable housing would be appropriate.
- 79 Victoria said the Commission should explore introducing a separate assessment of affordable housing as part of the 2025 Review and retain flexibility to address this ahead of the next review as this sector matures.

¹¹ Head leasing is an option used in both public and community housing, where a private rental property is leased by a provider of social housing and is then on-let to a social housing tenant.

- 80 The ACT said the amount of expenses on affordable housing are likely to be significant following the implementation of programs to meet affordable housing targets, including under the National Housing Accord, the Housing Australia Future Fund and the National Housing Infrastructure Facility. The ACT said the Commission still needs to undertake a significant amount of analysis and consultation prior to the introduction of a differential assessment of affordable housing.

Commission response

- 81 The term ‘affordable housing’ generally refers to a range of measures to assist people find accommodation (social housing; assistance to people in the private rental market; support and accommodation for people who are homeless or at risk of homelessness; and home purchase assistance).¹² Most affordable housing expenses are likely to be reported by states against the COFOG codes that align to the Commission’s housing category.¹³ Therefore, states’ expense needs for most forms of affordable housing support are currently assessed by the Commission based on socio–demographic characteristics (Indigenous status, remoteness and socio–economic status).
- 82 For the Commission to undertake a separate assessment of states’ affordable housing expenses for people in private accommodation, these expenses would need to be reported separately and drivers of these expenses would need to be identified. A materiality test could then be undertaken to determine whether it is appropriate to separately assess affordable housing expenses for people in private accommodation.

Commission draft position

- 83 The Commission agrees that states are supporting the housing needs of their residents in additional ways and the assessment of spending on housing support may need to reflect these developments. Following the 2025 Review, the Commission will continue to monitor developments in affordable housing support and explore, in consultation with states, whether a differential assessment of support for people in private accommodation should be implemented in the next review.

Data Issues

Census data

- 84 Victoria and Western Australia said they have concerns with the ABS census data used in the housing assessment.

¹² Federal Financial Relations (FFR), [National Affordable Housing Agreement](#), FFR, 2021, accessed 14 June 2024.

¹³ Some expenses related to homelessness are likely to be reported against the COFOG codes that align with the Commission’s welfare category.

- 85 Victoria said census responses relating to households are not subject to the same level of revision and adjustment as responses relating to persons.
- 86 Western Australia said it is disappointed that (despite acknowledging an undercount of census households) the Commission continues to base social housing use solely on census numbers, rather than scaling using the Australian Institute of Health and Welfare data.
- 87 Western Australia said to counter the known inaccuracy of the number of social housing households, scaling census households with Australian Institute of Health and Welfare data (a more reliable and accurate data source) is necessary, regardless of materiality. Western Australia said the Commission should pro-rata the socio-demographics from the census data to the Australian Institute of Health and Welfare totals.
- 88 Victoria also said the Commission's method of imputing 'not stated' households is inappropriate and may introduce bias in the respective statistics. Victoria said instead of imputations and the use of assumptions to improve on the census count, the assessment should be discounted.

Government Finance Statistics data on expenses and revenue

- 89 New South Wales expressed concerns that expenses based on the Government Finance Statistics classification in the social housing component and overall Welfare assessment provided by states may be incorrect. New South Wales said the Commission should evaluate the quality of COFOG expenditure data on social housing and welfare as state data may be materially inaccurate.
- 90 Western Australia said social housing revenue data are not classified consistently across the states. Western Australia said the Commission should consult with states to analyse if states are including comparable data for the assessment.

Commission response

Census data

- 91 Both the ABS and the Australian Institute of Health and Welfare publish data on the number of households in social housing. The ABS data is self-reported from the census. The Australian Institute of Health and Welfare data is sourced from state housing authorities and community housing organisations. In 2021, the ABS data had 354,315 households in social housing, and the Australian Institute of Health and Welfare had 417,833.¹⁴ Table 3 compares estimates from the 2 data sources by state and remoteness area.¹⁵

¹⁴ Australian Bureau of Statistics (ABS), *2021 Census of Population and Housing* [Tablebuilder], 2021, accessed 14 June 2024; Australian Institute of Health and Welfare (AIHW), *Housing assistance in Australia 2023 – Data tables: Social housing households 2023 [data set]*, 2023, accessed 14 June 2024.

¹⁵ Disaggregated ABS and AIHW data does not sum to the total household counts.

Table 3 Households in social housing – census vs AIHW measures

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Census									
Major cities	97,158	45,056	36,363	22,938	30,338	0	9,625	0	241,478
Inner regional	19,416	13,202	9,994	2,690	1,574	7,935	3	0	54,814
Outer regional	4,039	2,994	9,293	3,523	5,455	3,661	0	2,916	31,881
Remote	603	9	2,205	2,786	749	49	0	2,443	8,844
Very remote	390	0	4,000	4,200	847	65	0	4,877	14,379
Total	121,606	61,261	61,855	36,137	38,963	11,710	9,628	10,236	351,396
AIHW									
Major cities	116,047	55,097	40,954	27,542	33,887	0	11,176	0	284,703
Inner regional	23,156	16,174	10,940	3,103	3,107	10,518	21	0	67,019
Outer regional	5,300	3,396	10,645	3,486	5,370	3,192	0	3,786	35,175
Remote	453	18	1,177	2,201	799	61	0	2,197	6,906
Very remote	82	0	977	1,958	204	8	0	3,666	6,895
Total	145,038	74,685	64,693	38,290	43,367	13,779	11,197	9,649	400,698
Difference									
Major cities	-18,889	-10,041	-4,591	-4,604	-3,549	0	-1,551	0	-43,225
Inner regional	-3,740	-2,972	-946	-413	-1,533	-2,583	-18	0	-12,205
Outer regional	-1,261	-402	-1,352	37	85	469	0	-870	-3,294
Remote	150	-9	1,028	585	-50	-12	0	246	1,938
Very remote	308	0	3,023	2,242	643	57	0	1,211	7,484
Total	-23,432	-13,424	-2,838	-2,153	-4,404	-2,069	-1,569	587	-49,302

Source: Australian Bureau of Statistics (ABS) *2021 Census of Population and Housing* [Tablebuilder], 2021, accessed 14 June 2024; Australian Institute of Health and Welfare (AIHW), *Housing assistance in Australia 2023 – Data tables: Social housing households 2023 [data set]*, 2023, accessed 14 June 2024.

- 92 There are reliability issues with both datasets. The key concern with the ABS census data is the accuracy with which tenants categorise their landlord type and, as a result, incorrectly indicate a type of housing other than social housing.¹⁶
- 93 The Australian Institute of Health and Welfare data has a higher count of households in major cities, inner regional and outer regional, but a lower count of households in remote and very remote areas, compared to the ABS measure. This may be explained by the Indigenous community housing data quality statement associated with the Australian Institute of Health and Welfare data, which says that data were not available for all dwellings or Indigenous Community Housing Organisations and stated that care is required when comparing across states and territories.¹⁷ More broadly, the Australian Institute of Health and Welfare says that the administrative

¹⁶ See data notes at: Australian Institute of Health and Welfare (AIHW), *Housing assistance in Australia 2023 – Data tables: Social housing households 2023 [data set]*, 2023, accessed 14 June 2024.

¹⁷ Australian Institute of Health and Welfare (AIHW), *Indigenous Community Housing Collection, 2021–22: Quality Statement*, 2023, accessed 14 June 2024.

data sets that are used for the Australian Institute of Health and Welfare Housing assistance data collections have inaccuracies, including missing data.¹⁸

- 94 In the 2020 Review, the Commission said that the Australian Institute of Health and Welfare data appeared to provide a better count of the number of social housing households because they are collected directly from service providers. However, it did not provide all the socio-demographic information required for the assessment and the Australian Institute of Health and Welfare said the data may not be comparable between states. The Commission decided not to make an adjustment because the adjustment was marginally material and it was unclear that the resulting changes improved the assessment of states' social housing needs.
- 95 The Commission instead decided to adjust the census count of households by Indigenous status and remoteness area using the adjustment factors for individuals derived from the census post enumeration survey. While this deals with the overall undercount in the census, it does not deal with the assumed undercount of social housing households due to the misclassification of landlord type.
- 96 The Commission is proposing to change to an individuals-based assessment for the 2025 Review. As explained earlier, the count of individuals in social housing is based on responses to census questions on household status. Therefore, there remains the potential for an inaccurate count of individuals in social housing.
- 97 The Commission proposes to adjust the census count of individuals in social housing by the ratio of the Australian Institute of Health and Welfare total social household count to the ABS census total social household count (i.e. 1.2). A corresponding adjustment would be made to non-social housing individuals to leave the total individual count unchanged (only the balance between social and non-social housing individuals has changed). The total count would then be adjusted by the adjustment factors for individuals derived from the census post enumeration survey.
- 98 In regard to Victoria's concerns with imputations to census data, the Commission adjusts census data, to include household responses that are 'not stated' or 'not applicable'.¹⁹ This is done to ensure the assessment captures the total national housing stock.
- 99 The housing assessment measures the social housing use rates of socio-demographic groups, and to do this, the total national households in each socio-demographic group are used to measure the rate at which each group uses social housing. Therefore, the current adjustments are required in the assessment to measure social housing use rates of each socio-demographic group.
- 100 The current social housing assessment uses census data classified by landlord type, so 'not applicable' responses include households that are owned outright, or owned

¹⁸ See data notes at: Australian Institute of Health and Welfare (AIHW), [Housing assistance in Australia 2023 – Data tables: Social housing households 2023 \[data set\]](#), 2023, accessed 14 June 2024.

¹⁹ Australian Bureau of Statistics (ABS), [Understanding supplementary codes in Census variables](#), 2022, accessed 14 June 2024.

with a mortgage, which is approximately 66% of the national households. The 'not stated' responses imputed by the Commission for the social housing expenses assessment represent approximately 8% of the national households. A 'not stated' response is where a person does not complete a relevant field in the census.

Government Finance Statistics data

- 101 The Commission is aware of inconsistencies in how states report their expenses and revenues against the Government Finance Statistics COFOG codes. Where the Commission can identify misreporting and the size of the misreporting makes a material difference to the assessment, it works with states to resolve the issues.
- 102 To support the proposal in the welfare chapter to separately assess state spending on homelessness services, states will be asked to provide data on expenses for homelessness services currently recorded against COFOG codes that align with the housing category. These expenses will be transferred to the new homelessness component in the welfare category if the proposal is agreed for the 2025 Review. If states are unable to provide data, the Commission will use state expenditure data from the Report on Government Services and allocate the funding 50/50 between the social housing and welfare COFOGs.
- 103 This will improve the consistency of state expenses included in the social housing assessment.

Commission draft position

- 104 To address concerns with the accuracy with which tenants categorise their landlord type in the census, the Commission proposes to rebalance the social housing/non-social housing split using the Australian Institute of Health and Welfare data on social housing households. This change will not affect the assessment of recurrent spending on social housing because shares of the socio-demographic groups in social housing are being adjusted by the same proportion. However, it will affect the assessment of needs for investment in social housing via a change to the capital stock factor.
- 105 The assessment of state social housing needs requires the estimation of social housing use rates based on all households, not just those in rental properties. As such, the Commission proposes to continue to apportion the 'not applicable' and 'not stated' responses to relevant groups.

Draft 2025 Review assessment method

106 Following consideration of state views, the Commission proposes to:²⁰

- introduce an individuals-based assessment
- introduce an adjustment to rebalance the social housing/non-social housing split in ABS census data using the Australian Institute of Health and Welfare data on social housing households.

107 Table 4 shows the proposed structure of the 2025 Review housing assessment.

Table 4 Proposed structure of the housing assessment

Component	Driver	Influence measured by driver	Change since 2020 Review?
Social housing expenses	Socio-demographic composition	Recognises that income, Indigenous status and remoteness affect the use of housing services. In addition, a cost weight is applied to recognise the additional cost of providing services to First Nations people.	Yes Assessment is now individuals rather than household-based. ABS census data will be adjusted to rebalance the social housing /non-social housing split using AIHW data.
	Wage costs and regional costs	Recognises the differences in wage costs between states and in the cost of providing services to different areas within a state.	Yes. General regional gradient has been revised.
Revenue	Socio-demographic composition and capacity to raise revenue from rents	Recognises that income, Indigenous status and remoteness affect the number of social housing households as well as the rent paid by households.	Yes. Assessment is now individuals rather than household-based.
First home owner expenses	Equal per capita	This is an equal per capita assessment.	No

²⁰ The Commission's assessment guidelines specify that it will include a driver where a conceptual case exists, where there are reliable data and methods with which to assess the driver, and where that assessment is material.

Indicative distribution impacts

108 The indicative impact on the GST distribution in 2024-25 from the proposed method changes is shown in Table 5.

Table 5 Indicative impact on GST distribution (difference from an equal per capita distribution), 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
U2024 using R2020 methods	-125	-239	69	129	26	4	-29	166	393
U2024 using draft R2025 methods	-260	-372	78	169	-17	-6	-34	441	689
Effect of draft method change	-134	-133	10	40	-43	-10	-5	276	325
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
U2024 using R2020 methods	-15	-34	12	44	14	7	-60	645	14
U2024 using draft R2025 methods	-30	-53	14	57	-9	-11	-71	1,718	25
Effect of draft method change	-16	-19	2	14	-23	-18	-11	1,074	12

Note: Based on no change to the wage costs assessment. The effect of these changes is shown in the wage costs chapters. The GST pool and population estimates are equivalent to those used in the 2024 Update. The data included in the table have not been subject to full quality assurance processes and as such, should be treated as indicative only. Indicative GST impacts are provided for illustrative purposes only and should not be used to predict impacts on GST distribution for 2025-26.

109 The indicative change in the GST distribution compared to the 2024 Update would be due largely to the proposed change from a household-based to an individuals-based assessment (Table 6).

110 This change to the assessment would affect the share of total expenses attributed to each socio-demographic group at the national level. An individuals-based assessment would result in:

- a lower share of expenses in major cities and inner regional areas, and a higher share in remote and very remote areas
- a higher share of expenses for First Nations people
- a slightly higher share of expenses for high income people.

111 The proposed change to the assessment would mean national average per capita spending on each socio-demographic group would be apportioned to states based on their shares of individuals in each socio-demographic group rather than their shares of households. Differences between state shares of households and shares of individuals are shown in Figure 2.

112 Part of the change in GST distribution would relate to a reduction in the expenses assessed in the social housing component. The Commission is proposing to establish a new assessment of state spending on homelessness services in the welfare assessment (see welfare chapter). Based on data provided by states, expenses on homelessness services currently recorded against Classification of the Functions of Government (COFOG) codes that align with the housing category would be

transferred to the new homelessness component in the welfare category. The impact on GST distribution from these budget affects is shown in Table 6.

- 113 The overall impact on GST distribution from the proposed changes to the general regional cost gradient are shown in the geography chapter. The impact on the housing assessment of the proposed change cannot be separately identified. Part of the change in GST distribution attributed to an individuals-based assessment in Table 6 is due to the new general regional cost gradient.

Table 6 Indicative impact on GST distribution of proposed method changes (disaggregated), 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Person level housing needs (a)	-141	-147	14	47	-40	-10	-7	284	0
Reclassified to homelessness	6	14	-4	-7	-3	0	2	-8	0
Total	-134	-133	10	40	-43	-10	-5	276	325
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Person level housing needs (a)	-16	-21	2	16	-21	-18	-15	1,106	0
Reclassified to homelessness	1	2	-1	-2	-1	0	4	-32	0
Total	-16	-19	2	14	-23	-18	-11	1,074	12

(a) Includes the effect of the proposed changes to the general regional cost gradient.

Note: Based on no change to the wage costs assessment. The effect of these changes is shown in the wage costs chapters.

The GST pool and population estimates are equivalent to those used in the 2024 Update.

The data included in the table have not been subject to full quality assurance processes and as such, should be treated as indicative only.

Indicative GST impacts are provided for illustrative purposes only and should not be used to predict impacts on GST distribution for 2025-26.