

Welfare

Overview

- 1 On 26 October 2023, the Commission issued a [consultation paper](#) on the welfare assessment. The Commission considered changes since the 2020 Review and their implications for the assessment method.
- 2 The Commission proposed 4 changes to the 2020 Review assessment method. The proposed changes were:
 - collecting National Disability Insurance Scheme (NDIS) data from the Department of Social Services Portfolio Budget Statement
 - developing a homelessness services assessment
 - combining other welfare and non-NDIS disability services, aged care and the national redress scheme into a single assessment
 - ceasing to collect national redress scheme spending.
- 3 A summary of state and territory (state) responses to each consultation question is included below, as well as the Commission's draft position on the 2025 Review assessment method.
- 4 State submissions can be viewed [here](#).

Consultation questions

Q1. Do states agree that the state NDIS contributions can be collected from the Commonwealth Budget papers rather than from the states?

State views

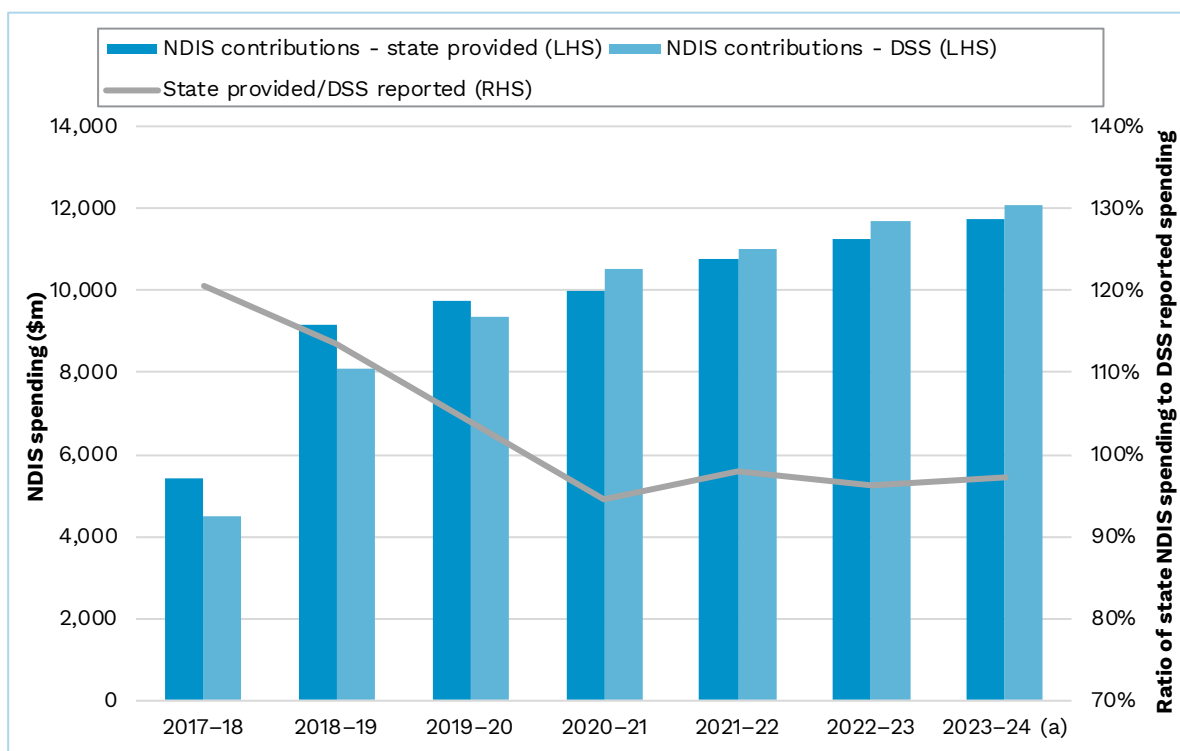
- 5 All states except Tasmania and South Australia agreed with the Commission's proposal to collect state NDIS contributions from Commonwealth Budget Papers, specifically the Social Services Portfolio Budget Statement.
- 6 Tasmania did not support the proposal and said this was because state NDIS contributions are not published in Commonwealth Budget Paper 2.
- 7 South Australia said it questioned whether state NDIS funding arrangements would be harmonised after the current funding negotiations. It noted that the states and Commonwealth will work together to implement legislative and other changes to the NDIS following the 2023 Review of the NDIS.

- 8 Western Australia said it questioned how the Commission would determine the share of state spending on non-NDIS disability services, which is currently collected from the states as part of the data provision.
- 9 Victoria said the Commission should provide states with a comparative analysis of data collected from states and the Commonwealth.

Commission response

- 10 The Commission notes that state NDIS funding contributions are not published in Commonwealth Budget Paper 2 and has clarified that they are published in the Department of Social Services Portfolio Budget Statement.
- 11 All existing funding arrangements for the NDIS, with new funding agreements negotiated under variations to existing terms, have a clause ensuring that should a state negotiate more favourable terms with the Commonwealth, these terms will also be reflected in all other funding agreements. This is expected to maintain harmonisation between states.
- 12 Figure 1 shows the difference between state provided NDIS spending data and state NDIS contributions reported by the Department of Social Services. Since 2021–22, state provided data is 97% of the total state and in-kind contributions to the NDIS. The remaining 3% represents the in-kind contributions from Commonwealth agencies. The NDIS assessment method in the 2020 Review, based on equal per capita at the most recent census, results in this discrepancy being distributed on a population basis across all states. The Commission proposes that this method be retained for the 2025 Review.

Figure 1 Comparative analysis of state and Department of Social Services provided NDIS contributions from state governments



(a) DSS estimate.

Source: Department of Social Services Portfolio Budget Statements and State data.

Commission draft position

- 13 The Commission proposes to collect state contributions to the NDIS from the Commonwealth Department of Social Services Portfolio Budget Statement.
- 14 The Commission proposes to derive state spending on non-NDIS disability services as the difference between total state spending on disability services and state NDIS spending from the Commonwealth Department of Social Services Portfolio Budget Statement.

Q2. Do states agree that the current NDIS assessment is fit for purpose?

State views

- 15 All states except South Australia supported maintaining the existing NDIS assessment.
- 16 South Australia referred to the potential impact of changes to NDIS funding agreements committed to on 6 December 2023 by National Cabinet.¹ It also said that

¹ A Albanese, *Meeting of National Cabinet – the Federation working for Australia* [media release], Australian Government, 6 December 2023, accessed 1 April 2024.

there was a possibility that state NDIS contributions may not be uniform across states and accordingly, it is not clear whether the existing method of assessing NDIS contributions will be appropriate going forward. As a result, South Australia stated it was not able to agree to the Commission's proposal.

- 17 The ACT agreed that under current arrangements the method remains fit for purpose, but if the NDIS funding allocations change, the Commission should remain open to reflecting this in the assessment method.

Commission response

- 18 The Commission agrees with South Australia and the ACT that if Commonwealth-state NDIS funding arrangements change, this should be reflected in the assessment method.
- 19 In the event states receive more favourable terms, the current Commonwealth-state funding agreements allow for states to petition the Commonwealth to receive the same terms offered to other states.²

Commission draft position

- 20 The Commission proposes to maintain the current method of assessing state contributions to the NDIS. The Commission will consider an alternative assessment method for state NDIS contributions if there is a change to current arrangements or the underlying driver of state NDIS contributions changes. Terms of reference for annual updates of GST relativities typically allow for a change of assessment method when there has been a significant change in Commonwealth-state relations.

Q3. Do states support the development of a homelessness services assessment?

State views

- 21 All states except Victoria and Queensland supported the development of a homelessness services assessment in concept, if it is material.
- 22 Western Australia said its support for a potential homelessness services assessment was conditional on the exclusion of socio-economic status as a driver of need (discussed below under Question 4).
- 23 South Australia said its support was dependent on the availability of appropriate and reliable data for all states.
- 24 Queensland said that it considered a differential assessment was unlikely to be material. It indicated that most expenditure on homelessness services is currently

² National Disability Insurance Agency (NDIA), [Intergovernmental agreements](#), NDIS website, 2022, accessed 1 April 2024.

assessed in the housing, health and welfare categories, with similar drivers to the proposed homelessness services assessment.

- 25 Victoria said it questioned whether a differential assessment would be material, noting the small recurrent state spending on specialist homelessness services. In addition, Victoria said there was insufficient evidence of change since the 2020 Review to overturn the Commission's previous finding of no evidence of causal drivers of homelessness.

State concerns with the Australian Institute of Health and Welfare specialist homelessness services data collection

- 26 In the welfare consultation paper, the Commission proposed to use specialist homelessness services usage data from the Australian Institute of Health and Welfare to measure the use of homelessness services by different population groups. New South Wales, South Australia and the Northern Territory raised concerns with this data set based on the coverage of state programs and state specific circumstances.
- 27 New South Wales said that its temporary accommodation program was excluded from Australian Institute of Health and Welfare specialist homelessness services data. This was confirmed by the Australian Institute of Health and Welfare. New South Wales said that it was willing to work with the Commission to identify whether the temporary accommodation program was in scope and had a material impact on the proposed assessment. New South Wales said that it was also willing to provide cross-classified temporary accommodation use data to the Commission for its assessment.
- 28 South Australia said that their emergency accommodation program is currently excluded from homelessness services expenditure. Similarly, the preventative component of their Private Rental Assistance Program is also excluded.
- 29 The Northern Territory said the Commission should use Australian Bureau of Statistics (ABS) census data on homelessness rather than the Australian Institute of Health and Welfare specialist homelessness services data. It said that the Australian Institute of Health and Welfare dataset did not comprehensively capture the level of need in the Northern Territory, particularly the level of overcrowding.

Commission response

- 30 The Commission agrees with the need for nationally consistent data to assess state spending on homelessness services. While the Commission acknowledges that there are some limitations with the Australian Institute of Health and Welfare homelessness service data, this does not necessarily prevent its use in developing an assessment. The data remains the Commission's preferred data source because it is collected using consistent definitions, it allows for cross-classification of services users and is collected annually for all states. Consistent definitions across states for the data collection and contemporaneity are particularly important.

- 31 New South Wales and South Australia said that spending on temporary accommodation programs is not included in the Report on Government Services definition of specialist homelessness services.
- 32 The Commission does not have data on the use of the excluded temporary accommodation services in these states by population groups such as Indigenous status. Therefore, the Commission cannot evaluate whether it is appropriate to assess spending on these programs using Australian Institute of Health and Welfare specialist homelessness services use data. On this basis, the Commission considers that the New South Wales and South Australia temporary accommodation programs which are excluded from the Report on Government Services are out of scope of the proposed specialist homelessness services assessment. These expenses will continue to be assessed where states report them in the ABS Classification of the Functions of Government.
- 33 Currently, South Australia’s private rental assistance program and similar programs provided by other states are assessed in the housing assessment, as noted in the Commission’s 2020 Review report.³ This will remain the case in the 2025 Review.
- 34 The Commission notes Queensland’s and Victoria’s observations on the materiality of the proposed homelessness services assessment. Table 1 shows the indicative impact of a socio-demographic assessment of specialist homelessness services compared to an equal per capita assessment.

Table 1 Indicative GST impact of assessing specialist homelessness services compared to an equal per capita assessment

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
GST impact (\$m)	-9	-70	51	1	-7	7	-9	36
GST impact (\$pc)	-1	-10	9	0	-4	12	-19	140

Note: Specialist homelessness services were assessed using Indigenous status, age, socioeconomic status and remoteness with a regional and wage cost adjustment. Expense data was sourced from the states and the Productivity Commission’s *Report on Government Services*.

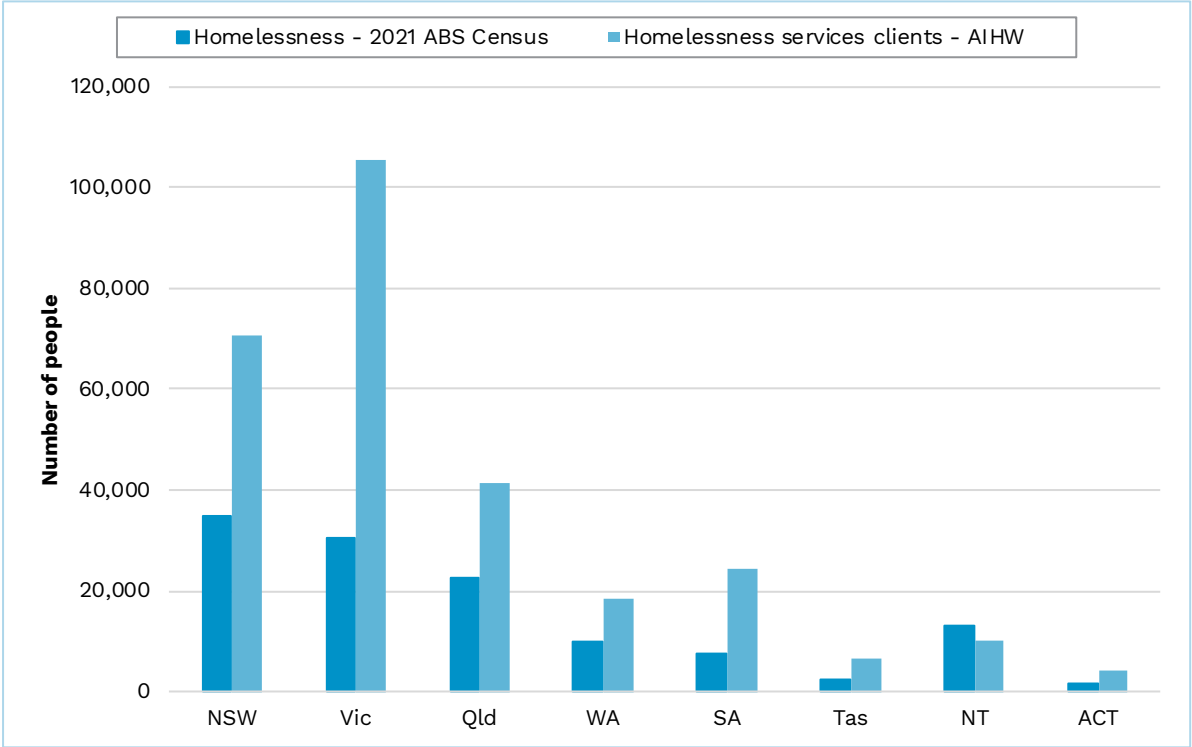
Source: Commission calculation.

- 35 The Commission does not consider the ABS 2021 Census homelessness data as a viable alternative to assess state government spending on homelessness services. The census captures the level of homelessness (including overcrowding) on census night. However, the census excludes the population at risk of homelessness. If the Commission assessed the population which reported being homeless on census night and assumed all people experiencing homelessness used services, 56% of the users of homelessness services would be excluded from the assessment (Figure 2). In addition, the rank of states differs when comparing the level of specialist homelessness service use and the reported homeless population on census night.

³ Commonwealth Grants Commission (CGC), [Report on GST Revenue Sharing Relativities: 2020 Review](#), Volume 2, Part B, Ch5–18, CGC, 2020, accessed 1 April 2024.

For example, the population accessing homelessness services in Victoria is larger than that in New South Wales, despite New South Wales having a larger homeless population on census night. This is also the case when comparing South Australia and Western Australia.

Figure 2 Number of people experiencing homelessness and number of people accessing specialist homelessness services

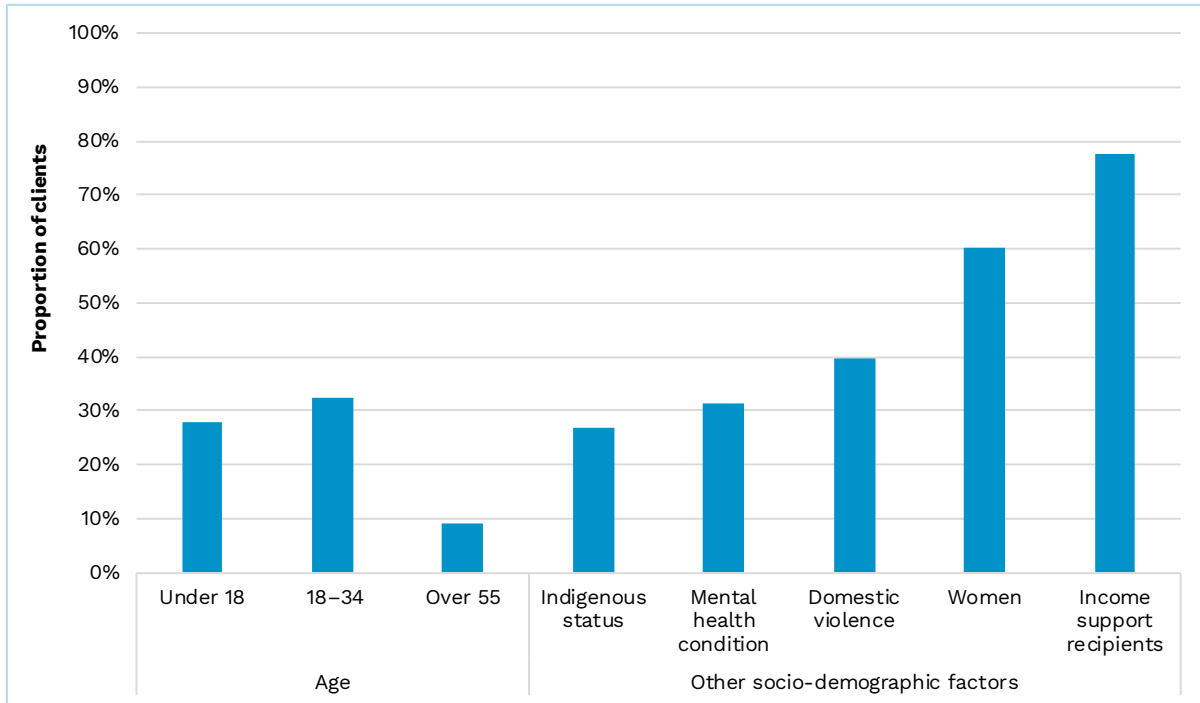


Source: Australian Bureau of Statistics (ABS), [2021 Census](#) [TableBuilder], accessed 1 April 2024 and Australian Institute of Health and Welfare (AIHW), [Specialist Homelessness Services Collection: 2011–12 to 2021–22](#) [dataset], AIHW, Canberra, 2022, accessed 1 September 2023.

- 36 Victoria questioned whether there was evidence to change the Commission’s finding in the 2020 Review of no evidence of causal drivers of homelessness.
- 37 The Commission considers that the current proposal is not comparable to previous attempts to assess state spending on specialist homelessness services. The proposed assessment does not aim to directly assess the causes of homelessness, but instead, differences in the use of state services by population groups. This definitional change shifts the focus from a causal determinant of homelessness to the population groups that have a higher use of services. This is consistent with the approach taken in other assessments, for example health, where differences in service use are the focus, rather than the determinants of poor health.
- 38 Additionally, the Commission considers that there is sufficient evidence to revisit the treatment of state specialist homelessness services spending. Commission analysis of Australian Institute of Health and Welfare data indicates differential service usage by socio-demographic characteristics (Figure 3), with these population groups differing among states. As a result, an assessment based on socio-demographic

characteristics has been found to be materially different from an equal per capita assessment (Table 1).

Figure 3 Proportion of specialist homelessness services clients by socio-demographic characteristics



Source: AIHW, *Specialist Homelessness Services Collection: 2011-12 to 2021-22*.

Commission draft position

39 The Commission proposes to include a homelessness services assessment using data on specialist homelessness services use from the Australian Institute of Health and Welfare in the 2025 Review method.

Q4. Will states be able to identify spending on homelessness services and identify where that spending is reported in the Government Finance Statistics classifications?

State views

40 New South Wales, South Australia, Tasmania and the Northern Territory stated they would all be able to identify spending on homelessness services in the ABS Government Finance Statistics classification.

41 South Australia said that while most of its homelessness services expenditure is included in the ABS Classification of the Functions of Government (COFOG) 1051 (Housing) and COFOG 1069 (Social exclusion not elsewhere classified), some programs sit outside of this classification and there are other non-homelessness services programs reported in these COFOG classifications.

- 42 Queensland, Western Australia and the ACT expressed concerns about their ability to identify this expenditure within the ABS Government Finance Statistics classifications. These states said that homelessness services expenditure is reported in many ABS COFOG classifications because many state departments had service delivery obligations in this area including health, education and housing.
- 43 Victoria said that it would not be able to identify expenditure on homelessness services as reported in the ABS Government Finance Statistics. Further, Victoria viewed the ABS Government Finance Statistics as an inappropriate source because of differing definitions for homelessness across governments. Victoria stated it supported the use of the definition included in the Productivity Commission’s Report on Government Services.⁴

Commission response

- 44 Currently, the Commission cannot identify where states are reporting homelessness services spending in the ABS Government Financial statistics. This means the Commission cannot accurately determine the current treatment of homelessness services spending.
- 45 The Commission agrees there is a need for a clear definition regarding what constitutes specialist homelessness services. In its [consultation paper](#), the Commission proposed to use the definition from the Productivity Commission’s Report on Government Services, which includes services such as ‘supported accommodation, counselling, advocacy, links to housing, health, education and employment services, outreach support, brokerage and meals services, and financial and employment assistance.’⁵ This remains the Commission’s preferred definition.
- 46 The Commission understands the challenges in collecting data across agencies or departments and allocating spending to relevant COFOG classifications. However, the Commission notes that states report this information annually to the Productivity Commission for the Report on Government Services.
- 47 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.

Commission draft position

- 48 To support the new assessment method, the Commission proposes a new annual data request to obtain state expenses on homelessness services by COFOG classification, using the definition used by the Productivity Commission for the Report on Government Services. If states are unable to provide data to the

⁴ Productivity Commission (PC), [Report on Government Services 2024](#), Section 19: Homelessness services, PC, 2024, accessed 1 April 2024.

⁵ PC, [Report on Government Services 2024](#).

Commission, 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.

Q5. Do states support the proposed drivers to assess homelessness spending, noting further work is to be undertaken on mental health conditions as a potential driver?

State views

- 49 All states except Victoria supported the proposed drivers of homelessness services spending in full or in part. However, states also cited that additional drivers should be considered when developing the assessment.
- 50 Victoria said that a separate assessment is inappropriate as the academic literature indicates there are no causal factors for homelessness, and that many of the drivers identified represent a cause and effect of homelessness. Victoria reiterated its support for an equal per capita assessment. However, Victoria also cited potential factors that may increase the risk of homelessness.
- 51 Potential drivers raised by states in addition to those proposed by the Commission in its consultation paper (age, socio-economic status, remoteness, Indigenous status and mental health) include:
- overcrowding (New South Wales and the Northern Territory)
 - family and domestic violence (New South Wales, Victoria, South Australia and the Northern Territory)
 - drug and alcohol use (New South Wales)
 - disability (New South Wales and South Australia)
 - cultural and linguistic diversity (South Australia)
 - housing affordability (New South Wales, Victoria and Western Australia).
- 52 New South Wales said that while socio-economic status is a relevant factor, this could reflect a correlation with other variables such as domestic violence or disability. Western Australia did not support using low socio-economic status because it does not consider state specific circumstances such as income relative to rental affordability.
- 53 Queensland and Western Australia said they had reservations over the inclusion of mental health as a driver given concerns over the ability of the data to accurately represent psychological stress in remote areas. Tasmania supported the conceptual case for the inclusion of mental health as a driver of homelessness services expenditure.
- 54 New South Wales said that the current general regional cost gradient was not fit for purpose.

55 The ACT supported the inclusion of wage and regional cost factors, as well as a cross-border adjustment.

Commission response

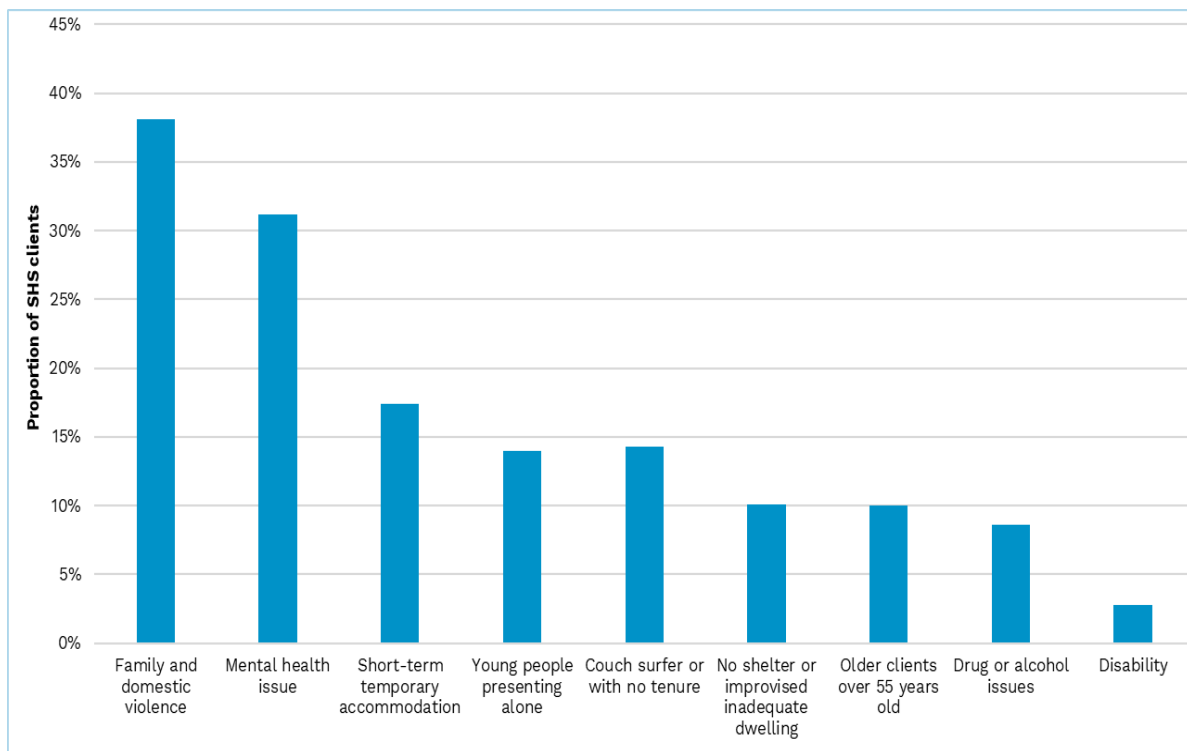
- 56 The Commission notes that the literature presented in the 2020 Review suggested there was limited evidence for causal factors of homelessness. The Commission's proposed method does not aim to consider the causal factors of homelessness, rather it assesses the factors which influence the use of specialist homelessness services. The initially proposed drivers of Indigenous status, age, remoteness and socio-economic status are recognised as factors which correlate with increased use of homelessness services in the National Housing and Homelessness agreement.⁶ In addition, the distribution of these population groups differs across states.
- 57 The Commission acknowledges that age itself does not fully encapsulate the complex movements in to and out of homelessness services and how risk factors influence different groups. The Commission views age as a reasonable risk factor for homelessness services spending, reflecting the priority groups from the National Housing and Homelessness Agreement, which includes children and young people and older people.⁷
- 58 The Commission notes Western Australia's view that low socio-economic status is not a driver of state spending on homelessness services, particularly in remote mining communities where there are severe housing shortages. Upon further consultation with Western Australia, the inclusion of all socio-economic status quintiles was sufficient to address this concern. The Commission considers there is a strong conceptual case for the inclusion of socio-economic status as a driver of homelessness services spending. The Australian Housing and Urban Research Institute notes the heightened risk of homelessness among those receiving income support or on low incomes.⁸ The Commission views this as sufficient evidence to support the inclusion of socio-economic status as a driver of need.
- 59 The Commission agrees with Tasmania that there is a strong conceptual case for mental health conditions to be a driver of homelessness services spending. The Commission also considers that there is a strong conceptual case for including family and domestic violence, alcohol and drug use and disabilities as drivers of state spending on homelessness services (Figure 4). However, data quality concerns prevent the Commission from developing robust drivers of need for homelessness services spending (Box 1).

⁶ Department of Social Services (DSS), [National Housing and Homelessness Agreement](#), DSS website, 2024, accessed 5 May 2024.

⁷ DSS, [National Housing and Homelessness Agreement](#).

⁸ Australian Housing Urban Research Institute (AHURI), [Estimating the population at-risk of homelessness in small areas](#), AHURI website, 2021, accessed 20 April 2024.

Figure 4 Proportion of specialist homelessness services clients by client group



Note: Young people presenting alone are aged 15–24. Children on a care and protection order are aged under 18 years. Older clients are aged 55 and over. Clients exiting custodial arrangements, clients with a current mental health issue, and clients with problematic drug or alcohol issues are aged 10 and over.

Source: AIHW, [Specialist Homelessness Services Collection: 2011–12 to 2021–22](#).

60 For the Commission to be able to consider using a driver in an assessment, the data must satisfy 2 conditions:

- the population of service users must be able to be cross-classified by the proposed driver (i.e. mental health conditions) as well as other drivers
- the population of each state must be able to be cross-classified for each of the proposed drivers. This is necessary to derive a national policy neutral level of service use and assess state’s different population characteristics.

61 Further, data sources are required to have broadly consistent definitions to ensure comparability. Data sources should also be of sufficient sample size to ensure that cross-classification does not result in excessive data loss, confidentiality concerns or null values for variables of interest.

62 The Commission identified Indigenous status, age, socio-economic status and remoteness as drivers of use of homelessness services which could be assessed using Australian Institute of Health and Welfare and national data.

63 In addition to this, the Commission considered the following drivers proposed by the states:

- overcrowding
- housing affordability
- family and domestic violence
- drug and alcohol use

- disability
 - mental health conditions.
- 64 The Commission accepts that there is a conceptual case for the inclusion of these drivers as proposed by the states. However, it is not currently feasible to assess homelessness services spending using these drivers. This is because the national data necessary to undertake the assessment are not fit for the Commission's purpose.
- 65 Table 2 summarises the data sources the Commission investigated to determine whether it could assess the drivers proposed by the states.
- 66 The Australian Institute of Health and Welfare data can be used to cross-classify service use for all the drivers proposed by states except for overcrowding. This is because the Australian Institute of Health and Welfare data does not distinguish overcrowding from other sources of housing instability such as living in an inadequate dwelling or couch surfing.
- 67 Housing affordability derived from the 2021 Census Rent affordability indicator (RAID) cannot be used to assess homelessness services because it is collected at the household level, which prevents cross-classification by person level attributes including Indigenous status and age.
- 68 The ABS 2021–22 Personal Safety Survey is not suitable for estimating cross-classified prevalence of family and domestic violence. The sample of around 12,000 respondents is too small and not suitable for cross-classification. Cross-classified microdata will be subject to confidentiality restrictions when cross-classified by other factors of interest such as age and Indigenous status because of the small sample, preventing its use by the Commission.
- 69 Data on national drug and alcohol use from the National Health Survey is not suitable for the Commission's analysis. In the 2021–22 survey the alcohol and drug related problems stressor collection ceased. In addition, the National Health Survey is a sample survey like the Personal Safety survey. The sample of around 13,000 households will result in confidentiality concerns when cross-classifying the data by other variables of interest such as age and Indigenous status.
- 70 There are 3 data sources which could be used to estimate the prevalence of disabilities in the national population, each with limitations.
- The ABS Survey of Disability, Ageing, and Carers 2018–19 is the ABS's preferred source for the prevalence of disability. However, it is not suitable for the Commission's purposes because it does not allow for the cross-classification of respondents by Indigenous status.
 - Core activity need for assistance from the 2021 ABS Census is not suitable for use because it does not distinguish the reason for requiring assistance such as old age or disability or other long-term health conditions.

- The National health survey 2021–22 is not suitable for the use by the Commission for the reasons outlined previously (paragraph 68). In particular, the small sample size prevents the cross-classification of data.

71 Detailed analysis on the options considered to assess mental health conditions as a driver of state homelessness services spending are outlined in Box 1.

72 Even for large sample data, the Commission is unable to assess all drivers simultaneously without exposing sensitive unit record data or excessive null values. This requires the Commission to use its judgement to prioritise which drivers will be assessed at the expense of alternatives.

Table 2 Feasibility of assessing proposed drivers using different data sources

Proposed driver	Available in AIHW data	National data source	Cross-classifiable person level data	Sufficient sample size and data quality	Definition consistent with AIHW definition
Indigenous status	✓	ABS Estimated resident population	✓	✓	✓
Age	✓	ABS Estimated resident population	✓	✓	✓
Socio-economic status	✓	ABS Estimated resident population	✓	✓	✓
Remoteness	✓	ABS Estimated resident population	✓	✓	✓
Overcrowding	✗	Homelessness operation groups (OPGP) — Census of Population and Housing: Estimating Homelessness	✓	✓	N/A
Housing affordability	✓	Rent affordability indicator (RAID) — Census of Population and Housing	✗	✓	✗
Family and Domestic Violence	✓	2021–22 ABS Personal Safety Survey	✗	✗	✓
Drug and Alcohol use	✓	ABS National Health Survey 2020-21	✓	✗	✗
Disability	✓	ABS Survey of Disability, Ageing and Carers	✓	✗	✓
Disability	✓	Core activity need for assistance (ASSNP)—ABS Census of Population and Housing	✓	✗	✗
Disability	✓	ABS National Health Survey 2020-21	✓	✗	✗
Mental Health	✓	ABS National Study of Mental Health and Wellbeing 2020-22	✗	✗	✓

Proposed driver	Available in AIHW data	National data source	Cross-classifiable person level data	Sufficient sample size and data quality	Definition consistent with AIHW definition
Mental Health	✓	Has mental health condition — ABS Census of Population and Housing	✓	✗	✓
Mental Health	✓	ABS National Health Survey 2020-21	✓	✗	✓

Box 1 Case study on assessing mental health as a driver of need for homelessness services spending

The Commission considered the inclusion of mental health conditions as a driver of state spending on homelessness services in the 2025 Review Consultation paper. However, upon further investigation, fit for purpose data were not available.

Data on the use of specialist homelessness services by people with mental health conditions from the Australian Institute of Health and Welfare are available, cross-classified by age, Indigenous status, remoteness and socio-economic status. This satisfies the first condition for a driver in a comprehensive socio-demographic assessment.

However, there were data quality concerns with the 3 potential national datasets which could have been used to estimate the prevalence of mental health conditions in cross-classified state populations.

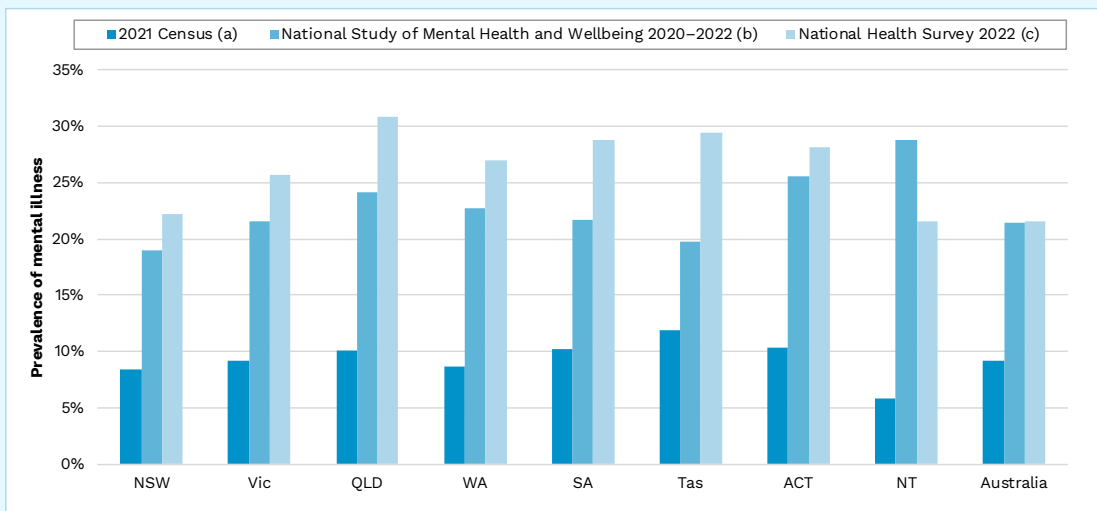
The ABS recommends using the National Study of Mental Health and Wellbeing to estimate the prevalence of mental health conditions in the community.⁹ However, estimates are not available for First Nations people, nor does the survey include people living in very remote Australia. As a result, these data are not currently suitable to be used by the Commission. Work is being undertaken by the Commonwealth Department of Health and the ABS to develop a survey of First Nations people.

The second data source is the 2021 ABS Census. The 2021 ABS Census collected information on whether people were suffering from long-term health conditions, including mental health conditions. However, the 2021 Census is also unsuitable for the Commission’s use because the census mental health condition question is self-reported leading to potential underreporting. These data are also inconsistent with the ABS’s preferred data source for prevalence of mental health conditions (National Study of Mental Health and Wellbeing), particularly for the Northern Territory. This led the Commission to conclude that the 2021 Census data are not representative of the prevalence of mental health conditions in Australia (Figure 5). The Commission’s view is that while using the 2021 Census data is feasible, the result is unlikely to reflect the impact of mental health conditions on the need for state spending on specialist homelessness services, particularly in the Northern Territory.

⁹ ABS, [Comparing ABS long-term health conditions data sources](#), ABS website, 2022, accessed 20 February 2024.

The final data source considered by the Commission to assess mental health conditions was the National Health Survey and the companion National Aboriginal and Torres Strait Islander Health Survey. Commission analysis of the survey microdata in the Person Level Integrated Data Asset (PLIDA) managed by the ABS demonstrated that survey samples did not allow for the cross-classification of mental health conditions by age, socioeconomic status, remoteness, Indigenous status and state because of confidentiality.¹⁰

Figure 5 National prevalence of mental health conditions, by state, by data source



(a) Long term health conditions – mental health. (b) 12-month mental disorder. (c) Mental and behavioural conditions. Source: ABS, [2021 Census](#); ABS, [National Study of Mental Health and Wellbeing](#), ABS, 2023, accessed 1 April 2024; ABS, [National Health Survey](#), ABS, 2023, accessed 1 April 2024.

Commission draft position

- 73 The Commission proposes to include a differential assessment of homelessness services spending using the drivers identified in the consultation paper:
- age
 - Indigenous status
 - socio-economic status
 - remoteness.
- 74 The Commission agrees with states that mental health conditions, family and domestic violence, disability, and housing affordability are potential drivers of state spending. However, data limitations prevent the Commission from including these drivers in the proposed assessment for the 2025 Review. The Commission will continue to monitor for improvements in data quality for the proposed drivers and engage with the ABS and external data agencies on potential data improvements.

¹⁰ The ABS rule of 10 prevents the release of microdata if the number of unique records is less than 10. Australian Bureau of Statistics (ABS), [Input and Output Clearance](#), ABS website, 2021, accessed 28 March 2024.

Q6. Do states support combining the other welfare, non-NDIS aged care and National Redress Scheme components and assessing spending using the 2020 Review method for other welfare (equal per capita assessment method with regional and wage cost factors)?

State views

- 75 All states except South Australia supported combining the other welfare assessment and the non-NDIS disability services, aged-care and national redress scheme assessment, citing the benefit of simplifying the welfare assessment. They also supported retaining the regional cost and wage cost adjustments for the combined assessment, citing the immaterial impact of regional costs on national redress scheme spending.
- 76 South Australia did not support the proposal, citing the potential expansion of non-NDIS disability services and uncertainty on the scope of the non-NDIS foundational supports agreed by states and the Commonwealth on 6 December 2023.¹¹

Commission response

- 77 The Commission agrees with South Australia that if there are substantial changes to non-NDIS disability supports, this could require a different assessment approach. However, currently the prospect of changes to non-disability supports is uncertain.

Commission draft position

- 78 The Commission proposes to combine the other welfare assessment and the non-NDIS disability services, aged-care and national redress scheme assessment into a single other welfare assessment.
- 79 The Commission will continue to monitor developments in the future Commonwealth-state framework for providing non-NDIS foundational supports.

Q7. Do states support the Commission ceasing to collect state spending on the National Redress Scheme?

State views

- 80 All states supported the Commission's proposal to stop collecting state spending on the National Redress Scheme for Institutional Child Sexual Abuse, citing the immateriality of national redress scheme spending.

¹¹ A Albanese, *Meeting of National Cabinet – the Federation working for Australia* [media release], Australian Government, 2023, accessed 1 April 2024

Commission draft position

- 81 The Commission proposes to stop collecting state spending on the National Redress Scheme from the states because it is not material.

Other issues raised by states

Cultural and Linguistic Diversity (CALD)

- 82 New South Wales and Victoria said the Commission should include a cultural and linguistic diversity cost or use weight, citing the increased cost of providing support to migrants and refugees.

Commission response

- 83 The Commission considers that there is a conceptual case that in providing welfare services to culturally and linguistically diverse populations, states incur additional costs.
- 84 A substantial amount of work is required to develop, test and consult with states on a potential cultural and linguistic diversity driver for the welfare assessment. This includes the appropriate definition of cultural and linguistic diversity for welfare service use as well as identifying fit for purpose data. It is proposed that this work be undertaken in consultation with states between reviews.

Commission draft position

- 85 The Commission proposes to consider how cultural and linguistic diversity affects state service costs as a part of its proposed forward work program.

Welfare specific regional cost gradient

- 86 New South Wales said the Commission should use a combined welfare specific regional cost and service delivery scale gradient. This would replace the existing general regional cost gradient. New South Wales said it engaged a consultant to undertake analysis, which found that the general regional cost gradient overstates the impact of travel to regional and remote communities after considering traffic in major cities.

Commission response

- 87 While New South Wales said that the general cost gradient overstated costs in New South Wales, the Commission is not aware of evidence that this is the case in other states.
- 88 The report commissioned by New South Wales has not been provided to the Commission or other states. As a result, the Commission has not been able to consider the implications of the findings in the report on the welfare assessment.

89 In the 2020 Review, the Commission concluded that there was insufficient category specific data to develop a category specific regional cost gradient. This remains the Commission's view for the 2025 Review.

Commission draft position

90 The Commission proposes to continue to use the general regional cost gradient.

Service delivery scale in child protection services

91 New South Wales said that the introduction of the service delivery scale factor in the child protection and family services assessment was not supported by sufficient evidence in the 2010 Review.

Commission response

92 The Commission acknowledges that there was limited empirical evidence in the 2010 Review and judgement was used to include service delivery scale in the child protection services assessment.

93 The Commission considers there is a conceptual case that the costs of providing child protection services in regional and remote communities increase because of the small scale of service provision in these communities. The partial centralisation of state child protection referral systems in most states, accompanied by a network of government service centres indicates there could be some economies of scale from centralising service provision. However, the Commission is not aware of empirical evidence that supports the decision in the 2010 Review to include service delivery scale in the child protection and family services assessment.

94 The Commission acknowledges the complexity of child protection and family services provision and the challenges states face providing these services in both remote and urban communities. The Commission also recognises the importance of service provision networks in increasing accessibility to regional and remote communities.

Commission draft position

95 The Commission will continue to apply the service delivery scale factor to child protection and family services expenditure based on the persisting conceptual case.

96 The Commission will continue to monitor the availability of evidence regarding service delivery scale, including working with states to estimate how the scale of service delivery affects the costs of service provision in regional and remote areas.

First Nations cost weight for child protection and family services

- 97 Western Australia said the Commission should include a First Nations cost weight to represent the cost associated with providing child protection and family services to First Nations Australians.
- 98 Western Australia said that the funding model for child protection and out of home care services has differential cost profiles for locations with a high proportion of First Nations children. This is to facilitate the additional staff needed to provide culturally appropriate services.

Commission response

- 99 This issue was raised by the Northern Territory in the 2020 Review. The Commission concluded that a First Nations cost weight was not justified because Productivity Commission data showed there was no difference in the average time spent in out of home care by First Nations and non-Indigenous children. The Commission is not aware of a reliable source of data that would support the inclusion of a First Nations cost weight.

Commission draft position

- 100 The Commission proposes not to include a First Nations cost weight in the child protection and family services assessment.

Draft 2025 Review assessment method

- 101 Following consideration of state views, the Commission proposes to differentially assess state spending needs for homelessness services rather than treat the spending as equal per capita.
- 102 To support the new assessment method, a new annual data request will obtain state expenses on homelessness services, using the definition used by the Productivity Commission for the Report on Government Services.
- 103 The Commission also proposes to jointly assess other welfare, non-NDIS aged care and the National redress scheme as equal per capita, recognising the prior separate equal per capita treatment in the 2020 Review.
- 104 The Commission will collect state expenditure on the NDIS from the Commonwealth Department of Social Services' Portfolio Budget Statement rather than from the states.

105 Table 3 shows the proposed structure of the 2025 Review welfare assessment.

Table 3 Proposed structure of the welfare assessment

Component	Driver of need	Influence measured by driver	Change since 2020 Review?
Child protection and family services	Socio-demographic composition	Recognises that service use is influenced by the socio-demographic composition of the state population including those aged 0-14, Indigenous status, socio-economic status (SES) and where people live.	No
	Wage costs	Recognises differences in wage costs between states.	No
	Regional costs and service delivery scale	Recognises the cost of providing services to different areas within a state and to small population centres.	No
National Disability Insurance Scheme	Census population shares	2021 Census population shares.	No
Concessions	Socio-demographic composition	Recognises that numbers of pensioner concession card and health care card holders affect the use and cost of providing concessions.	No
Homelessness services	Socio-demographic composition	Recognises that service use is influenced by the socio-demographic composition of the state population, including Indigenous status, SES, age and location.	Yes
	Wage costs	Recognises differences in wage costs between states.	Yes
	Regional costs	Recognises the cost of providing services to different areas within a state.	Yes
	Cross-border costs	Recognises the cost to the ACT of providing homelessness services to New South Wales residents.	Yes
Other welfare including non-NDIS, aged care, and National Redress Scheme	Equal per capita	This is an equal per capita assessment.	Yes
	Wage costs	Recognises differences in wage costs between states.	No
	Regional costs	Recognises the cost of providing services to different areas within a state.	No

Indicative distribution impacts

106 The impact on the GST distribution in 2024–25 of the proposed method changes is shown in Table 4.

Table 4 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	56	-696	357	37	-17	62	-78	278	790
U2024 using draft R2025 methods	56	-765	406	40	-27	68	-86	309	878
Effect of draft method changes	0	-69	48	4	-10	5	-9	31	88
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
U2024 using R2020 methods	7	-99	64	12	-9	107	-162	1,082	29
U2024 using draft R2025 methods	7	-109	72	14	-14	116	-180	1,202	32
Effect of draft method changes	0	-10	9	1	-6	9	-18	119	3

Note: Based on no change to either the wage costs assessment or the measure of socio-economic status. The effect of these changes is shown in the wage costs and socio-economic status 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 the GST distribution for 2025–26.

107 The proposed changes to the welfare assessment will increase the GST distributed to the Northern Territory, Tasmania and Queensland. The largest driver of change is the introduction of a differential socio-demographic assessment of state spending on specialist homelessness services (Table 5). Under the new method, these states are assessed as having higher spending needs because of the increased use of homelessness services by First Nations people.

108 The proposed introduction of a specialist homelessness services assessment will reduce the GST distributed to the ACT and Victoria. For these states, the reduction in GST is because of their small First Nations populations and the relatively higher socio-economic status of their populations.

Table 5 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
New homelessness assessment (a)	-9	-70	51	1	-7	7	-9	36	96
Revisions to general regional cost gradient for child protection and family services	9	7	-2	-3	-1	-1	1	-9	16
Other (b)	0	-5	-1	6	-2	0	0	3	9
Total	0	-69	48	4	-10	5	-9	31	88
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
New homelessness assessment (a)	-1	-10	9	0	-4	12	-19	140	3
Revisions to general regional cost gradient for child protection and family services	1	1	0	-1	0	-2	1	-33	1
Other (b)	0	-1	0	2	-1	0	0	13	0
Total	0	-10	9	1	-6	9	-18	119	3

(a) The impact of the new homelessness services assessment includes the budget effect of moving homelessness services spending from housing to welfare, based on data reported by 6 states. For remaining states, data is sourced from the Report on Government Services, with 50% of the spending assumed to be reported in the housing category.

(b) Other changes to the assessment method include: amalgamating other welfare and the non-NDIS disability, aged care and national redress scheme assessments and changing the data source for state contributions to the NDIS to the annually published Department of Social Services Portfolio Budget Statement.

Note: Based on no change to either the wage costs assessment or the measure of socio-economic status. The effect of these changes is shown in the wage costs and socio-economic status 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 the GST distribution for 2025–26.

109 The proposed revisions to the regional and service delivery scale general cost gradient would lead to a fall in GST distributed to the Northern Territory from the child protection and family services assessment. All other states are largely unaffected by revisions to the general gradient. The revisions to the regional cost and services delivery scale gradients are discussed in the Geography chapter.

110 Other changes to the assessment method, including the amalgamation of the other expenses and non-NDIS disability services, aged care and national redress scheme and the data source change for the NDIS assessment would have a negligible impact on the GST distribution.

Attachment A: Supplementary information on data sources for drivers of homelessness services spending

111 Tale A-1 in the welfare chapter summarises the attributes of available data sets for proposed drivers of homelessness services, and whether they lend themselves to use in an assessment of homelessness services.

112 This attachment provides further detail on the data sources that are not considered suitable for the proposed assessment method.

Table A-1 Feasibility of assessing proposed drivers using different data sources

Proposed driver	Available in AIHW data	National data source	Cross-classifiable national data	Sufficient sample size and data quality	Definition consistent with AIHW definition
Indigenous status	✓	ABS Estimated resident population	✓	✓	✓
Age	✓	ABS Estimated resident population	✓	✓	✓
Socio-economic status	✓	ABS Estimated resident population	✓	✓	✓
Remoteness	✓	ABS Estimated resident population	✓	✓	✓
Overcrowding	✗	Homelessness operational groups (OPGP) — Census of Population and Housing: Estimating Homelessness	✓	✓	N/A
Housing affordability	✓	Rent affordability indicator (RAID) — Census of Population and Housing	✗	✓	✗
Family & Domestic Violence	✓	2021–22 ABS Personal Safety Survey	✗	✗	✓
Drug and Alcohol use	✓	ABS National Health Survey 2020–21	✓	✗	✗
Disability	✓	ABS Survey of Disability, Ageing and Carers	✓	✗	✓
Disability	✓	Core activity need for assistance (ASSNP)—ABS Census of Population and Housing	✓	✗	✗

Proposed driver	Available in AIHW data	National data source	Cross-classifiable national data	Sufficient sample size and data quality	Definition consistent with AIHW definition
Disability	✓	ABS National Health Survey 2020–21	✓	✗	✗
Mental Health	✓	ABS National Study of Mental Health and Wellbeing 2020–22	✗	✗	✓
Mental Health	✓	Has mental health condition — ABS Census of Population and Housing	✓	✗	✓
Mental Health	✓	ABS National Health Survey 2020–21	✓	✗	✓

Overcrowding

113 The Australian Institute of Health Welfare’s Specialist Homelessness Services Collection (SHSC) does not differentiate between those considered homeless and those living in overcrowded dwellings.¹² This reflects the focus in the collection on users of homelessness services. The survey assesses individuals as homeless or at risk of homelessness based on the following criteria:

The SHSC considers people to be experiencing homelessness if they:

- *have no shelter or are living in an improvised/inadequate dwelling*
- *are living in short-term temporary accommodation, or*
- *are couch surfing or living with no tenure in a house, townhouse or flat.*

People are considered at risk of homelessness if they are at risk of losing their accommodation and are living in:

- *public or community housing, either as a renter or rent free*
- *private or other housing, as a renter, rent free or owner, or*
- *institutional settings.*¹³

114 The Specialist Homelessness Services Collection does not collect information on overcrowding. As a result, the use of specialist homelessness services by people living in overcrowded situations is not known.

¹²Australian Institute of Health and Welfare (AIHW), [Australia’s youth: Homelessness and overcrowding](#), AIHW website, 2021, accessed 10 April 2024.

¹³Australian Institute of Health and Welfare (AIHW), [Specialist homelessness services annual report 2022–23](#), AIHW website, 2024, accessed 10 April 2024.

- 115 The Commission considers that while there is a conceptual case to consider overcrowding is a driver of the use of homelessness services, it is not feasible to assess this driver in the 2025 Review.

Housing affordability

- 116 The Rent Affordability Indicator variable is collected as part of the Census of Population and Housing at the household level. This considers whether a household is collectively spending over 30% of their income on rent.¹⁴
- 117 The household Rent Affordability Indicator is not compatible with person level data from the Australian Institute of Health and Welfare collection. The data being collected at the household level also prevents the cross-classification of data by person-level attributes including Indigenous status and age.
- 118 There are also inconsistent definitions between the Census Rent affordability indicator and attribution of service use to housing affordability, in the Australian Institute of Health and Welfare collection. The survey asks whether housing affordability stress or the housing crisis was the main reason for seeking out homelessness services. In contrast, the Census Rent Affordability Indicator variable specifies a 30% of income threshold. This difference in specificity may elicit different reporting behaviour.
- 119 The Commission proposes that although rental affordability is a driver of use of homelessness services, it is not feasible to assess this driver in the 2025 Review.

Family and Domestic Violence

- 120 The 2021–22 Personal Safety Survey includes data on instances of violence and the characteristics of these instances.¹⁵ While the Personal Safety Survey specifies violence, physical violence and sexual violence, domestic and family violence does not exist as a variable. Microdata are not currently available. However, even if the microdata were available the survey sample of around 12,000 individuals will result in data confidentiality concerns when data are cross-classified by other variables of interest.
- 121 Further, the Personal Safety Survey is targeted at those above 18 years of age and therefore is unable to be cross-classified by the lower age brackets included in the proposed assessment method.
- 122 The Commission considers there is a conceptual case for considering family and domestic violence as a driver of use of homelessness services, although it is not feasible to assess this driver in the 2025 Review.

¹⁴ Australian Bureau of Statistics (ABS), [Rent affordability indicator \(RAID\), 2021](#), ABS website, 2021, accessed 10 April 2024.

¹⁵ Australian Bureau of Statistics (ABS), [Personal Safety Australia, 2021–22](#), ABS website, 2023, accessed 10 April 2024.

Drug and Alcohol Use

- 123 The Australian Institute of Health and Welfare categorises and provides data on service users with a ‘history of drug or alcohol misuse.’¹⁶ The Australian Institute of Health and Welfare also reports on specific drugs of concern, including alcohol.¹⁷
- 124 The National Health Survey is a large sample survey designed to give prevalence estimates for a range of health conditions. Previous iterations of the National Health Survey have collected data on selected stressors and whether they have been experienced in the last 12 months. One listed stressor was experience of ‘alcohol or drug related problems.’ However, as of the 2022 National Health Survey, these data are no longer being collected.¹⁸
- 125 The ABS says the National Health Survey is the preferred data source for health conditions and the survey features numerous sociodemographic details allowing cross-classification. However, the ABS highlights that the survey ‘do not generally support reliable output at lower geographical levels or for specific sub-populations of interest.’ This is problematic for the Commission’s proposed approach considering prevalence of the factors influencing use of homelessness services for small areas across different remoteness levels.
- 126 In addition, the National Health Survey is also subject to data confidentiality when cross-classifying microdata. The 2021–22 National Health Survey had around 13,000 household responses. Cross-classifying the microdata by service uses and other drivers of interest will expose sensitive unit record data.
- 127 The Commission proposes that although drug and alcohol use is a driver of use of homelessness services, it is not feasible to assess this driver in the 2025 Review.

Disability

- 128 The Australian Institute of Health and Welfare’s questions regarding disability are based on identifying ‘whether the client has any difficulty and/or need for assistance with 3 core activities (self-care, mobility and communication).’¹⁹
- 129 The Australian Institute of Health and Welfare cautions against comparing disability responses between age groups given the differing interpretations on what requiring assistance means, particularly for young children.²⁰ This is a concern given the proposed cross-classification based on age.

¹⁶ Australian Institute of Health and Welfare (AIHW), [Alcohol, tobacco & other drugs in Australia](#), AIHW website, 2024, accessed 10 May 2024.

¹⁷ AIHW, [Alcohol, tobacco & other drugs in Australia](#).

¹⁸ Australian Bureau of Statistics (ABS), [National Health Survey methodology, 2022](#), ABS website, 2023, accessed 10 April 2024.

¹⁹ Australian Institute of Health and Welfare (AIHW), [Specialist homelessness services annual report 2022–23: clients with disability](#), AIHW website, 2024, accessed 10 April 2024.

²⁰ AIHW, [Specialist homelessness services annual report 2022–23](#).

130 There are 3 potential data sources for assessing the prevalence of disabilities in the national population. They are the:

- Survey of Disability, Ageing and Carers
- 2021 ABS census
- National Health Survey.

The Survey of Disability, Ageing and Carers 2018-19

131 The ABS says that the Survey of Disability, Ageing and Carers provides ‘a demographic and socio-economic profile of people with disabilities, older people, and carers compared with the general population.’²¹

132 The survey excludes those in very remote areas, making it unable to be classified by the proposed drivers. The survey also does not sample those living in discrete First Nations communities, potentially underestimating the prevalence of disabilities in those communities.

133 The Survey of Disability, Ageing and Carers also does not allow for the cross-classification of the Indigenous and non-Indigenous population.

134 The Commission’s view is that the survey of disability, aging and carers is not suitable for use in the proposed homelessness assessment because Indigenous status is a known driver of the need for homelessness services and other government services.

Core activity need for assistance (ASSNP) – ABS Census of Population and Housing

135 This question, asked as part of the Census of Population and Housing aligns closely with that asked by the Australian Institute of Health and Welfare, covering the same 3 core activity areas. The ABS, however, notes the cause for this need for assistance is broader than disability alone, including old age and other long-term health conditions. The ABS does not differentiate between these causes. This means responses to this question may capture a broader population group than intended for this assessment.

136 Further within data use considerations, the ABS notes ‘only the Survey of Disability, Ageing and Carers is considered to comprehensively measure disability populations, and to provide rates of prevalence at the national and state levels.’²²

137 The Commission’s view is that the core activity need for assistance from the 2021 Census is not suitable for use in the proposed homelessness assessment because it does not comprehensively measure the presence of disabilities.

²¹ Australian Bureau of Statistics (ABS), [Disability, Ageing and Carers, Australia: Summary of Findings methodology, 2018](#), ABS website, 2019, accessed 10 April 2024.

²² Australian Bureau of Statistics (ABS), [Core activity need for assistance \(ASSNP\) 2021](#), ABS website, 2021, accessed 10 April 2024.

ABS National Health Survey 2020–21 and National Aboriginal and Torres Strait Islander Health Survey

- 138 Disability is included among long-term health conditions in the National Health Survey, in line with the 10th revision of the International Classification of Diseases.²³ Information is collected regarding the type, severity and impact of the disability on education and employment.
- 139 The aforementioned limitations of using the National Health Survey to estimate prevalence of mental health conditions by remoteness classifications also apply here. Similarly, as noted previously, data confidentiality will also prevent the cross-classification of the presence of disability by other drivers of interest.
- 140 Further, the specificity of the ABS definition for disability under the International Classification of Diseases contrasts with the more general need for assistance in core activities asked about by the Australian Institute of Health and Welfare.
- 141 The Commission considers the National Health Survey 2020–21 is not suitable for use in the proposed homelessness assessment because of data confidentiality, the exclusion of areas of interest (remote and very remote areas) and inconsistent definitions of disability.

²³ ABS, [National Health Survey methodology, 2022](#).