

# Housing

## Review outcomes

- The following changes were made to the assessment.
  - Social housing assessed expenses and revenue will be estimated by apportioning national per household spending and revenue using a derived state household count based on the average household size in each socio-demographic group. The change seeks to take account of differences in average rates of overcrowding between states.
  - The Australian Institute of Health and Welfare data on social housing households will be used to adjust and rebalance the social housing/non-social housing split in the Australian Bureau of Statistics (ABS) Census data. The change seeks to address concerns with the accuracy with which tenants categorise their landlord type in the census. This does not affect the assessment of recurrent spending on social housing but affects the assessment of investment in social housing.
- The Commission considered but did not change the following.
  - Housing stress will not be included as a driver because the available data do not support a relationship between housing stress and the provision of social housing.
  - Household income will continue to be used to classify households into low and high socio-economic groups because state eligibility for social housing is based on household income.
  - A combined assessment of state spending on public and community housing will be retained because not all states have the same capacity to choose the mix of public and community housing.
  - A cost weight to account for the higher costs associated with providing services to tenants with a disability will not be introduced because suitable data are not available.
  - Suitable data are not available to develop a housing-specific regional cost gradient. The general regional cost gradient, in combination with the Rawlinsons capital cost gradient, will continue to be used to recognise the effects of remoteness on the cost of providing social housing services.
  - The existing First Nations cost weight, which recognises the additional costs in providing social housing services to First Nations tenants, will be retained and validated with the latest available data.
  - Census responses that are ‘not stated’ or ‘not applicable’ will continue to be apportioned to relevant socio-demographic groups.
- Given the absence of reliable data, a separate assessment of head leasing and other affordable housing expenses is not included. The Commission will monitor whether a separate assessment of the costs of housing people in private accommodation should be implemented.

- The development of an age-based driver or 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.
- As part of the Commission's forward work program, it will work with the states and relevant data providers to consider how culturally and linguistically diverse populations drive state spending in the context of the housing assessment and other expense assessments.

## Introduction

- 1 On 6 July 2024, the Commission published the [Draft Report](#) for the 2025 Methodology Review.
- 2 The Draft Report included a detailed analysis and response to issues raised by states and territories (states) in their [submissions](#) on the Commission's [consultation paper](#).
- 3 State submissions on the Draft Report can be viewed [here](#).
- 4 This chapter includes:
  - an overview of the issues considered throughout the review
  - the Commission's response and decision on each issue
  - GST impacts of method changes.
- 5 A description of the assessment method, incorporating the changes made in the 2025 Review, can be found in the housing chapter of the *Commission's Assessment Methodology*.

## Issues considered

### Additional costs due to above-average overcrowding

- 6 In the Draft Report, the Commission proposed to change the housing assessment to an individuals-based assessment rather than the households-based assessment from the 2020 Review. This was in response to concerns raised by the Northern Territory that the assessment did not appropriately assess expense needs in states with above-average overcrowding. Following state comments on the change to the housing assessment proposed in the Draft Report, the Commission presented an alternative average household size method in [Significant changes since the Draft Report](#).

### State views

- 7 Western Australia and the Northern Territory supported the proposal for an individuals-based assessment. The Northern Territory said the household-based

approach reduces assessed housing expenses 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 expenses per capita.

- 8 While most states accepted the conceptual case that overcrowding results in additional costs, most states did not support an individuals-based method as proposed in the Draft Report. They said it does not reflect what states do, which is to provide social housing to households, not individuals. They also said social housing expenses do not increase in a linear way as household size increases, as implied by the individuals-based approach.
- 9 New South Wales said an above-average-sized household is not necessarily overcrowded and that the individuals-based approach conflated the issue of household undercount with social housing overcrowding. New South Wales said the Commission should consider including a cost weight for household size, though any cost weight must be supported by data.
- 10 In addition, New South Wales and Victoria presented data on the increasing share of single-person households in social housing and referenced analysis that showed single-person households incur higher costs for tenant-related service requests and other property maintenance and repair requests. They said these additional costs relate to the complex needs of tenants and complex needs are found at a disproportionately high rate amongst single-person households.
- 11 Victoria said a move to an individuals-based assessment is unnecessary as existing drivers in the housing assessment (for example, remoteness) are already appropriate proxies for overcrowding. Victoria also said larger households pay more in rent, resulting in higher revenue for the service provider. In most cases, this offsets any additional costs associated with extra tenants.
- 12 Queensland said it accepted that there is a conceptual case that a household approach does not adequately reflect the costs of addressing overcrowding, but it did not support the method change. It said that further changes would add to the complexity in an assessment which already has a very small impact on GST distribution.
- 13 South Australia said that the additional costs faced by the Northern Territory beyond what it needs to spend to provide the average standard of services should be addressed and funded outside the horizontal fiscal equalisation system. It said this reflects that the objective of horizontal fiscal equalisation is to provide states with the capacity to provide the same standard of services. It said addressing overcrowding in the Northern Territory's remote First Nations communities would require a higher-than-average standard of service, which is beyond the scope of horizontal fiscal equalisation.

- 14 The Northern Territory said the purpose of horizontal fiscal equalisation is to provide states with the fiscal capacity to deliver an average standard of services to persons. A household approach would only be reasonable where overcrowding and non-state housing stock per capita rates are equivalent between states and regions in states.
- 15 Victoria said the change to an individuals-based assessment would result in a change in GST distribution disproportionate to the size of the overcrowding problem. Victoria said it did not consider sufficient consultation had been conducted with states, given the magnitude of this change. South Australia and Tasmania suggested the issue should be considered further as part of the forward work program.
- 16 Most states preferred the average household size-based approach to the individuals-based approach.
- 17 Western Australia said it did not support the average household size approach as it would result in reduced assessed GST needs for Western Australia even though it has the second highest rate of severe overcrowding.
- 18 The Northern Territory said the average household size approach results in unintended consequences. It said this is because the Northern Territory has a large influence on the average household size in the very remote, First Nations, low-income socio-demographic group and because expenses to equalise the Northern Territory's household size are limited to being drawn solely from the very remote, First Nations, low-income cohort.
- 19 The Northern Territory suggested the Commission should assess the Northern Territory as needing to supply a higher rate of social houses to provide a similar average household size to other states in the very remote, First Nations, low-income socio-demographic group. This would inflate the national share of social households in this socio-demographic group, resulting in additional national expenses being apportioned to the group, which in turn would lead to states with a higher share of people in the very remote, First Nations, low-income socio-demographic group being assessed to need more GST.

### **Commission response**

- 20 The Commission accepted the conceptual case that overcrowding results in higher costs and that there is evidence that the extent of overcrowding is materially different between states.
- 21 The 2020 Review method apportions national average per household expenses and revenues by socio-demographic group to states based on the number of households states have in each socio-demographic group.
- 22 However, there are some socio-demographic groups where a state's share of households in the group differs substantially from its share of individuals. In particular, in very remote areas of the Northern Territory, its share of national households is significantly less than its share of individuals. This indicates that

average household size in very remote areas of the Northern Territory is much larger than the national average. This appears to be due largely to the above-average household size of low-income First Nations households.

- 23 As such, apportioning national average expenses by states' shares of households in each socio-demographic group produces markedly different estimates of assessed expenses compared with apportioning expenses based on states' shares of individuals.
- 24 In the *Significant Changes since the Draft Report*, the Commission outlined other limitations of the 2020 Review method in taking account of differences in average rates of overcrowding between states. In particular, the 2020 Review method includes a First Nations cost weight, which is intended to account for the difference in costs in servicing First Nations social housing compared with mainstream social housing. These additional costs may include those resulting from overcrowding and high mobility, but other factors could also be increasing costs. However, this national average cost weight is apportioned across states based on their count of First Nations households. If this household count is underestimated due to overcrowding, assessed GST needs will be understated.
- 25 The Commission agreed with those states that said it would be preferable to retain a method that more closely aligns with what states do, which is to provide services to households rather than individuals. In addition, the Commission recognised that social housing expenses do not necessarily increase in a linear way as household size increases and there are a range of factors that affect the recurrent costs associated with social housing households.
- 26 In the *Significant Changes since the Draft Report*, the Commission presented an *average household size* method. In this approach, the calculation of national average spending per household by socio-demographic group is the same as the 2020 Review method. However, a different approach is used to apportioning expenses to states. Rather than using census-based household counts, a household count is derived for each socio-demographic group in each state based on the national average household size in each socio-demographic group.
- 27 The Commission recognises that some issues remain with this approach. Average household size is being used as a proxy for overcrowding. This assumes average household size only differs across states within socio-demographic groups as a result of above-average overcrowding or above-average underutilisation. However, state average household size could vary between states due to differences in the age structure or ethnic mix of state populations, or differences in access to affordable housing. Also, the Commission notes that average expenses per social housing household can vary for reasons other than overcrowding rates, such as an above-average prevalence of high-cost tenants.
- 28 The Commission determines relative state expense needs for each socio-demographic cohort based on what states actually spend on each

socio-demographic group, and then uses those expenses to derive the national average standard of service for that cohort. If the Commission were to derive an alternative average as suggested by the Northern Territory, it would be akin to the Commission having a judgment on what states should do. The Commission considers it should retain a method that more closely aligns with what states do.

- 29 Overall, the Commission considers the average household size method is a pragmatic approach which better reflects what states do while balancing the need to address the most significant problems with the 2020 Review method regarding differences in severe overcrowding between states.

### **Commission decision**

- 30 The Commission will assess net expenses for social housing using an average household size-based approach.
- 31 In preparation for the next review, the Commission will undertake further work to determine if there are alternative ways to more accurately measure the impact on expenses of differences in severe overcrowding between states.

### **Housing stress as a driver of need**

- 32 The Commission sought state views on whether the assessment remained fit for purpose, given developments in the housing market. It proposed no changes to take account of recent market developments.

### **State views**

- 33 Most states said that the housing assessment remained fit for purpose.
- 34 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. Victoria said as housing affordability declined, people required more support from governments to stay in housing and rely on public services more. New South Wales and Victoria said this driver should be based on low-income households spending more than 30% of their income on rent.
- 35 New South Wales said that the measure of socio-economic status should take account of differences in housing costs between states.

### **Commission response**

- 36 While the Commission agrees that housing stress is a driver of demand for social housing, it notes that increased demand does not necessarily lead to increased state provision of social housing. The Commission examined the available data (as discussed in the *Draft Report*), which did not present a compelling case for a

relationship between housing stress and the provision of social housing at the national level. This may change in the future. Commonwealth and state governments have recently announced significant increases in funding for social housing. This issue will be examined again in the next review.

- 37 While New South Wales suggested an alternative measure of socio-economic status involving some combination of household income and cost in the housing assessment, states determine eligibility for social housing based on household income. Therefore, household income remains the most appropriate measure of socio-economic status in the housing assessment.

### **Commission decision**

- 38 The Commission will not include housing stress as a driver of state spending on social housing because available data do not support a relationship between housing stress and the provision of social housing.
- 39 The Commission will not adjust the measure of socio-economic status to account for housing costs given that states determine the eligibility for social housing based on household income.

### **Separate assessments of public and community housing**

- 40 The Commission consulted states on whether separate assessments of public and community housing would better account for differences in costs to states of funding these alternative forms of social housing. The Commission proposed to retain a single social housing assessment.

### **State views**

- 41 Some states said that the mix of public and community housing is determined by a complex range of factors, and the differences in states' social housing mix do not reflect genuine differences in need.
- 42 There was broad concern that the data on public and community housing expenses are not of sufficient quality to support separate assessments.
- 43 The Northern Territory said the Commission should recognise differing rates of Commonwealth Rent Assistance by state.

### **Commission response**

- 44 Public housing is state owned and managed. It is mostly provided through state public non-financial corporations. Community housing is managed by not-for-profit organisations, which receive subsidies from state governments. Community housing tenants are eligible to receive Commonwealth Rent Assistance whereas public housing tenants are not.

- 45 Not all states have the same capacity to choose the mix of public and community housing due to limited availability of community housing providers. This may be particularly the case in remote First Nations communities.
- 46 It is also not possible to reliably separate public housing and community housing expenses.
- 47 Using the available data, the materiality of separate assessments was tested. There was a material reduction to assessed GST needs for the Northern Territory, with limited impacts for other states.

### **Commission decision**

- 48 The Commission will retain a single social housing assessment as states do not have the same capacity to choose the mix of public and community housing and separating expenses for the 2 types of social housing cannot be done reliably.

### **Cost of servicing tenants with a disability**

- 49 The Commission consulted states on whether data were available to calculate a cost weight for people in social housing with a disability. It also asked states whether new census data on households with long-term health conditions could be used as a proxy to identify social housing tenants requiring additional services. The Commission proposed not to pursue the development of a high-cost tenant cost gradient.

### **State views**

- 50 Most states said census data on households with members that have long-term health conditions are not a suitable proxy for social housing households that have higher service costs. Most states said they had limited or no data on the cost of servicing different household types.

### **Commission response**

- 51 In previous reviews, some states said people with a disability require higher levels of servicing compared with other social housing households. However, sufficiently comprehensive data on the use of social housing by people with a disability were not available.
- 52 The Commission recognises that the census data are not suitable for developing a cost weight for tenants with a disability and most states said they have limited or no data on the cost of servicing different household types.
- 53 The Commission accepted that insufficient data are available to estimate a cost weight or to identify the appropriate user group in each state.



## Commission decision

- 54 The Commission will not introduce a cost weight for people with a disability because reliable data are not available.

## Regional cost gradient

- 55 The Commission considered concerns raised by states about the use of the general regional cost gradient in the housing assessment. The Commission proposed to retain the 2020 Review regional costs assessment method.

## State views

- 56 Some states said the general regional cost gradient overstates the additional costs of providing social housing services as remoteness increases, while others said it understates costs. States suggested the Commission develop a housing-specific regional cost gradient.
- 57 Victoria acknowledged that the data provided by 2 states is insufficient to develop a housing-specific cost gradient but maintained that the data could still be used to test whether there is evidence to support a relationship between remoteness and costs.
- 58 Queensland said the 25% discount to the general regional cost gradient should be removed because it is conceptually flawed. Queensland said that services assessed using the general regional cost gradient usually have costs far exceeding the cost of services used to derive the general regional cost gradient. Applying a discount therefore results in an underestimation of actual state need.
- 59 Western Australia said housing recurrent expenses should be disaggregated into maintenance expenses and other expenses. It said the Rawlinsons indices should be applied to the maintenance expenses and that other expenses should be further disaggregated, with expenses that would attract regional costs similar to maintenance also having the Rawlinsons indices applied.

## Commission response

- 60 The general regional cost gradient and Rawlinsons capital cost gradient are used to recognise the effects of remoteness on the cost of providing social housing services.
- 61 The Commission asked states for data on the cost of providing social housing by region to derive a housing-specific regional cost gradient. Only 2 states could provide the necessary data which showed costs increasing with remoteness, by more than for the general regional cost gradient. Data from 2 states is not sufficiently representative for a robust estimate for all states of how costs change as remoteness increases.

- 62 A discount of 25% is applied to the general regional cost gradient, in recognition that the cost components used in the general regional cost gradient are only a proxy for actual service costs.
- 63 Tailoring the application of the Rawlinson's and general regional cost gradients to subsets of recurrent housing expenses would only be possible if states could provide the Commission with the disaggregated data.

### **Commission decision**

- 64 The Commission will retain the general regional cost gradient, in combination with the Rawlinsons capital cost gradient, to recognise the effects of remoteness on the cost of providing social housing services. A discount of 25% will continue to be applied to the general regional cost gradient.

### **First Nations cost weights – recurrent and capital assessments**

- 65 The Commission considered state concerns with the First Nations cost weights. The Commission proposed retaining the 2020 Review First Nations cost weights used in the recurrent and capital assessments.

### **State views**

- 66 Victoria said the First Nations cost weight overstated the additional costs of providing social housing services to First Nations people, while Western Australia said it understated the costs.
- 67 Victoria said that the First Nations cost weight reflected in part remoteness costs associated with the provision of social housing services.
- 68 The Northern Territory said that the First Nations cost weight in the housing investment assessment should be allowed to vary between jurisdictions and should be applied to all social housing dwellings with First Nations people in First Nations communities, homelands and town camps.

### **Commission response**

- 69 The provision of recurrent social housing services to First Nations people has higher costs per household than for non-Indigenous households, possibly due to higher rates of overcrowding and the higher mobility of tenants. The assessment takes account of this at the national level through a First Nations cost weight that is applied to First Nations people in all types of social housing.
- 70 First Nations-specific social housing is often larger and more costly to fit out than mainstream housing. To account for the higher capital costs, a First Nations cost weight is also applied in the social housing investment assessment. The cost weight is used to scale up the number of people living in First Nations-specific social housing. A national average for the share of First Nations people living in First Nations-specific social housing is used in the calculation.

- 71 The Commission used separate data sources to re-estimate a First Nations cost weight. One approach used data provided to the Commission by states. The other approach used data published in the Productivity Commission's *Report on Government Services*. Both approaches produced a similar result, which was also similar to the First Nations cost weight estimated for the 2020 Review.
- 72 Both approaches compare the average per capita costs of mainstream and First Nations-specific social housing. The additional costs associated with delivering services in remote areas are included in the numerator and the denominator. The difference in per capita costs can therefore be attributed to the additional costs associated with the provision of services for First Nations-specific social housing.
- 73 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 do not allow the data to be disaggregated in this way.
- 74 The changes proposed by the Northern Territory could create an incentive for states to rebalance their mix of mainstream and First Nations-specific social housing. In addition, 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 for First Nations people living in mainstream housing.

### **Commission decision**

- 75 The Commission will retain a First Nations cost weight of 1.2 in the social housing recurrent and investment assessments.
- 76 The Commission will continue to use the national average proportions of First Nations people living in First Nations-specific housing for the calculation of the capital stock factor for the investment assessment. The Commission also decided to continue to apply this factor only to First Nations people living in First Nations-specific housing.

### **Data issues**

- 77 The Commission considered concerns raised by states with expense and activity data. The Commission proposed to rebalance the social housing/non-social housing split using Australian Institute of Health and Welfare data on social housing households.

### **State views**

- 78 Western Australia said the Commission should scale the census households count with Australian Institute of Health and Welfare data, which are considered more reliable and accurate. Queensland did not support this adjustment due to large differences between the 2 datasets in the count of social households in remote and very remote areas.

- 79 Victoria said the Commission’s method of imputing ‘not stated’ households in the census data was inappropriate and may introduce bias in the statistics.
- 80 Some states said the social housing expenses and revenue data were not reported consistently.

### **Commission response**

- 81 There are reliability issues with both ABS census and Australian Institute of Health and Welfare data on households in social housing. To address concerns with the accuracy with which tenants categorise their landlord type in the census, the Commission rebalanced the social housing/non-social housing split using the Australian Institute of Health and Welfare data on social housing households. This did not affect the assessment of recurrent spending on social housing because shares of the socio-demographic groups in social housing were being adjusted by the same proportion. However, it affected the assessment of investment in social housing via a change to the capital stock factor.
- 82 The housing assessment measures the social housing use rates of socio-demographic groups. To do this, the national total of households in each socio-demographic group are used to measure the rate at which each group used social housing. Therefore, adjustments to include responses that are ‘not stated’ or ‘not applicable’ are required to measure social housing use rates of each socio-demographic group.
- 83 The Commission is aware of inconsistencies in how states report their expenses and revenues against classification of the functions of government-Australia (COFOG-A) codes in Government Finance Statistics. Where the Commission can identify material misreporting, it works with states to resolve the issues.
- 84 One source of inconsistency is with the reporting of expenses on homelessness services. To support the assessment of homelessness services in the welfare assessment, states will provide data on expenses for homelessness services currently recorded against COFOG-A codes that align with the housing category. These expenses will be reclassified to the new homelessness component in the welfare category.

### **Commission decision**

- 85 The Commission will:
- rebalance the social housing/non-social housing split derived from ABS Census data using Australian Institute of Health and Welfare data on social housing households
  - continue to apportion census responses that are ‘not stated’ or ‘not applicable’ to relevant socio-demographic groups, given the requirement to estimate social housing use rates for all households
  - continue to work with states to improve the consistency of social housing expense and revenue reporting in ABS Government Finance Statistics.

## Assessment of expenses on head leasing and affordable housing

86 The Commission considered concerns raised by states with the assessment of expenses on head leasing and affordable housing. The Commission proposed no change but said it would work with states on this issue between reviews.

### State views

87 New South Wales said the Commission should separately take account of state expenses on social housing head leasing. Private rental increases impact the costs of head leasing, with the cost of the head lease paid by the state government increasing in line with the private market. In contrast, average state policy is to not increase social housing tenant rents at the same rate as the private market.

88 Victoria and the ACT said the Commission should explore a separate assessment of affordable housing given spending on this form of housing assistance was likely to increase to meet affordable housing commitments agreed to by state and Commonwealth governments. Victoria said eligibility requirements are different in affordable housing, and that rents are tied to the market rate rather than to income as in social housing.

### Commission response

89 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.

90 Affordable housing measures refer to programs to assist people to find accommodation including 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.

91 Separate assessments of social housing head leasing expenses and affordable housing expenses would require data on the amounts spent on these programs and on the socio-demographic profile of the people being supported by these programs.

92 States support the housing requirements of their residents in a variety of ways. The Commission will work with states to determine whether a separate assessment of support for people in private accommodation should be implemented in a future review.

### Commission decision

93 Given the absence of reliable data, the Commission will not include a separate assessment of social housing head leasing or affordable housing expenses. The Commission will monitor, in consultation with the states, whether a separate assessment of the costs of housing people in private accommodation should be implemented in a future review.

## **Culturally and linguistically diverse tenants**

- 94 The Commission considered views of states to better account for the costs of providing social housing services to culturally and linguistically diverse tenants. The Commission proposed no change but said work on this issue will be undertaken as part of its forward work program.

### **State views**

- 95 New South Wales and Victoria said the Commission should introduce a driver of use and/or cost weights for culturally and linguistically diverse tenants.

### **Commission response**

- 96 There is a conceptual case that people from different cultural backgrounds use social housing at different rates and have higher costs when they do. However, 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 developing an appropriate definition of cultural and linguistic diversity in the housing context.

### **Commission decision**

- 97 Consideration of how cultural and linguistic diversity affects state service costs will be undertaken as part of the Commission's forward work program.

## **Older tenants**

- 98 The Commission considered views of states to better account for the costs of providing social housing services to tenants of different ages. The Commission proposed no change but said it will work with the states on the issue between reviews.

### **State views**

- 99 New South Wales said the Commission should investigate the materiality of including social housing tenant age as a driver of service costs and/or investigate a cost weight for older tenants.

### **Commission response**

- 100 The development of an age-based driver or cost weight would require 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 decision

101 The Commission will not incorporate an age-based driver or cost weight. The Commission will work with the states between reviews to determine if data on the additional social housing costs associated with older tenants are available.

## GST impacts of method changes

102 The impact on the GST distribution from the method changes is shown in Table 1.

**Table 1 Impact on GST distribution of method changes, housing, 2024–25 to 2025–26**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Average household size model	16	-11	1	-29	-13	-1	-1	39	56
Spending allocated to homelessness	5	12	-4	-6	-2	0	2	-7	18
<b>Total</b>	<b>22</b>	<b>1</b>	<b>-3</b>	<b>-35</b>	<b>-16</b>	<b>-1</b>	<b>0</b>	<b>32</b>	<b>54</b>
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Average household size model	2	-2	0	-10	-7	-2	-2	150	2
Spending allocated to homelessness	1	2	-1	-2	-1	0	3	-26	1
<b>Total</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>-12</b>	<b>-8</b>	<b>-2</b>	<b>1</b>	<b>124</b>	<b>2</b>

Note: Changes to the wage costs assessment are not included. They are shown in the wage costs chapter of *Review Outcomes*.

- 103 Adopting the average household size model increased the assessed GST needs of states with above-average household size and vice versa. (Table 2 compares state average household size with the national average for each socio-demographic group.)
- 104 The reclassification of homelessness service expenses from the housing category to the new homelessness component in the welfare category reduced the expenses assessed in the social housing component. Reducing social housing expenses increased the assessed GST needs of New South Wales, Victoria and the ACT due to their below-average spending needs.
- 105 The changes to the general regional cost gradient are explained in the geography chapter of *Review Outcomes*. The changes increased the assessed GST needs of states with a larger share of their population in more remote areas. This effect is not separately identified in Table 1.

**Table 2 Average household size, state and national, by socio-demographic group**

Average Household Size, 2021–22											
Remoteness	SES	Indigenous Status	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
1.Major cities of Australia	1. Low-income	1.First Nations	2.1	1.9	2.2	2.4	2.0	0.0	2.1	0.0	2.2
1.Major cities of Australia	1. Low-income	2.Non-Indigenous	2.2	2.3	2.2	2.1	2.0	0.0	2.0	0.0	2.2
1.Major cities of Australia	2. High-income	1.First Nations	1.9	1.7	1.9	2.0	1.8	0.0	1.8	0.0	1.9
1.Major cities of Australia	2. High-income	2.Non-Indigenous	2.8	2.7	2.7	2.7	2.6	0.0	2.6	0.0	2.7
2.Inner regional Australia	1. Low-income	1.First Nations	2.3	2.0	2.3	2.4	2.1	2.1	0.0	0.0	2.3
2.Inner regional Australia	1. Low-income	2.Non-Indigenous	2.0	2.0	2.1	2.0	2.0	2.0	2.4	0.0	2.0
2.Inner regional Australia	2. High-income	1.First Nations	2.1	1.9	2.0	2.1	1.9	1.8	2.1	0.0	2.0
2.Inner regional Australia	2. High-income	2.Non-Indigenous	2.7	2.6	2.7	2.6	2.6	2.6	3.4	0.0	2.6
3.Outer regional Australia	1. Low-income	1.First Nations	2.3	2.2	2.7	2.6	2.3	2.0	0.0	2.6	2.5
3.Outer regional Australia	1. Low-income	2.Non-Indigenous	2.0	1.9	2.0	1.9	1.9	2.0	0.0	2.2	2.0
3.Outer regional Australia	2. High-income	1.First Nations	2.1	1.9	2.2	2.2	2.0	2.0	0.0	2.1	2.1
3.Outer regional Australia	2. High-income	2.Non-Indigenous	2.6	2.5	2.6	2.5	2.4	2.5	0.0	2.8	2.6
4.Remote Australia	1. Low-income	1.First Nations	2.5	3.7	3.2	2.8	2.3	1.6	0.0	4.1	3.3
4.Remote Australia	1. Low-income	2.Non-Indigenous	2.0	1.9	2.0	2.0	1.9	1.8	0.0	2.1	1.9
4.Remote Australia	2. High-income	1.First Nations	2.2	2.0	2.3	2.4	2.1	1.9	0.0	2.5	2.4
4.Remote Australia	2. High-income	2.Non-Indigenous	2.6	2.2	2.6	2.6	2.4	2.2	0.0	2.6	2.6
5.Very remote Australia	1. Low-income	1.First Nations	2.7	0.0	3.7	3.9	4.1	2.5	0.0	6.1	4.6
5.Very remote Australia	1. Low-income	2.Non-Indigenous	1.9	0.0	2.0	1.9	1.8	1.7	0.0	2.1	1.9
5.Very remote Australia	2. High-income	1.First Nations	2.4	0.0	3.0	2.6	2.9	1.6	0.0	3.5	2.9
5.Very remote Australia	2. High-income	2.Non-Indigenous	2.4	0.0	2.5	2.4	2.3	2.2	0.0	2.2	2.4

Source: ABS 2021 Census, Commission calculations.